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The determinants of relationship commitment in personal financial planning services

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THE DETERMINANTS OF RELATIONSHIP COMMITMENT IN PERSONAL FINANCIAL PLANNING SERVICES

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I hope this study will prove informative and useful to the reader.

Neeru Sharma

ABSTRACT

At present, the main aim of business organisations is to develop customer commiment. Research to date, concentrating on the relationship marketing theory has revealed that trust and commitment are the key variables in relationships. However, no significant empirical research has been undertaken to examine the impact of service satisfaction and performance on client commitment in consumer financial services. Further, previous studies have not investigated the effect of moderating variables i.e., switching cost, investment in the relationship, alternative attractiveness and, client knowledge and experience on the development of relationship commitment.

The current study has been undertaken to investigate the effects of trust, overall service satisfaction, communication effectiveness and perceived performance on client commitment in the personal financial planning services area. Data was collected from 201 individual clients of the financial planning services firms based in Wollongong, New South Wales. Regression analysis and path analysis were performed to measure the impact of various antecedents on relationship commitment. Moderated regression analysis and sub group analysis were performed to examine the moderating impacts of switching cost, investment in the relationship and alternative attractiveness on the relationship between relationship commitment and its various antecedents. The effect of perceived performance, overall service satisfaction and communication effectiveness on trust were also examined. Further, the impact of performance was also measured on overall service satisfaction.

Causal path analysis shows overall service satisfaction to be the most powerful determinant of relationship commitment. Communication effectiveness of the adviser has

been found as the second strongest determinant of relationship commitment. Trust, technical performance and relational performance have also been reported to drive relationship commitment. Further, trust acts as mediator between service satisfaction and relationship commitment. Trust also plays a mediating role between communication effectiveness and relationship commitment.

CERTIFICATE

This is to certify that this is entirely my own work and has not been submitted for a degree to any other university or institution.

Date 10/6/98

Neeru Sharma

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Chapter 1

Introduction

> "Relationships are built on the foundation of mutual commitment" (Berry and Parasuraman 1991, p. 139).

Development of customer commitment is considered a central issue for organizations striving to create a sustainable competitive edge in the highly competitive business environment of the 1990's.

The main objective of this research therefore is to examine the determinants of relationship commitment in the context of personal financial planning services. The study first develops a conceptual framework for investigating the association between relationship commitment and its various antecedents. This framework is then empirically tested against data from clients of the financial planning services firms.

At present, there is an increasing emphasis by marketers on the concept of relationship marketing for developing a lasting relationship with customers (Berry 1983; Levitt 1983; Sheth and Paravatiyar 1995). The traditional marketing mix management paradigm (McCarthy 1960) that was introduced almost forty years ago has dominated marketing thought, research and practice (Grönroos 1994). But today, due to globalisation of business and the evolving recognition of the importance of customer retention, marketing scholars and practitioners are passionately convinced about the acceptance of the relationship approach as a foundation for a theory of marketing (Grönroos 1994; Kotler 1984; Sheth and Parvatiyar 1994 and 1995).

The purpose of applying the concept of relationship marketing in business and/or other organizations is to create customer commitment (Morgan and Hunt 1994; Gundlach, Achrol and Mentzer 1995).

The services marketing literature reveals the necessity of focusing marketing efforts upon existing customers to develop long term company customer relationships (Berry 1983). Research by the US Office of Consumer Affairs concluded that attracting new customers can cost as much as five times the amount of retaining an existing one (Knauer 1992; Peters 1988). This has been supported in studies by Sonnenberg (1988), Andaleeb (1991) and James (1991). Reichheld (1993) and Kotler (1994) also explained that a company can increase profitability by finding customers who are likely to continue doing business with the company over time.

Other benefits associated with a relationship marketing approach are an increase or maintenance of sales (Berry 1983; McKenna 1991; Berry and Parasuraman 1991; Jackson 1985), greater co-operation, higher morale and fewer legal problems (Andaleeb 1991).

In the services marketing area, Crosby, Evans and Cowles (1990) have strongly emphasised the need for effective relationship selling in complex, customised services that are delivered over a continuous stream of transactions e.g. accounting, banking, financial planning, advertising. Pottruck (1988) and Fry (1973) made efforts to study customer loyalty towards banks. In Fry's (1973) study, degree of loyalty was measured as a pattern of repeat patronage. However, repeat patronage does not necessarily represent consumer loyalty (Oliver 1997).

Therefore it is evident that despite the importance of long term relationships in complex and customised consumer professional services, there is limited empirical research to explain and describe the development of the relationship between client and service provider (Crosby, Evans and Cowles 1990).

Given the world wide emphasis on understanding the value of customer relationships (Cumby and Barnes 1996), it is important to investigate the factors affecting customer commitment to patronise the services of a financial institution. Meidan (1996) has also identified a gap in the literature regarding marketing in the financial services sector. The present study therefore focuses on the development of client commitment toward their financial adviser. The results of this research should provide some new insights into the dynamics of the relationship development and maintenance, and assist in the design of appropriate marketing strategies for professional services in general and financial planning service firms in particular.

1.1 Growth of a Marketing Orientation in Professional Services

The marketing concept had been developing at a slow rate in many professions (e.g., accounting and financial services, legal, medical, architectural, and engineering to name a few) because it was considered distasteful and unethical (Bloom and Dalpe 1994). During the 1980s, increased competition for clients, greater customer expectations and more knowledgeable customers, all created a business environment which made marketing a key component for the business success of professional services (Honeycutt and Marts 1990). There has been a dramatic increase in the use of formal marketing techniques during the last ten years following the removal of restrictions for advertising from professional codes of conduct for many professional service providers in the Western world, However, most of the efforts were directed at advertising and publicity (Honeycutt and Marts 1990; Sherman et al. 1991).

At present, due to a lack of growth and high competition, the market for professional service firms is moving towards saturation (Crane 1989). As this sector goes through the maturity stage, the advertising and heavy promotional strategies to attract new clients fail to work (Diamontopoulos, O' Donohue and Peterson 1993).

In fact, marketing professional services involves distinctive challenges due to a number of problems. One problem includes the customers' lack of knowledge related to many such services e.g., medical, legal, accounting and dental practices (Bloom and Dalpe 1994). Another problem relates to the customers' inability to differentiate between the professional's offerings. These obstacles combine to hamper the effective use of marketing in professional services (Bloom and Dalpe 1994).

In addressing the present day environment, where the emphasis is not on attracting new customers, but on building strong relationships with the existing customers, it has been suggested that professional services firms should defend their market share by nurturing value laden relationships with existing clients (Crane 1989). Developing relations with existing customers proves economical for professionals because they have already invested in their customer's situation.

1.2 Study context

Financial planning services, the context of this study, is a highly complex, intangible and customised service (Crosby, Evans and Cowles 1990; Ennew, Watkins and Wright 1995). Financial planning involves making the best use of resources to ensure income, financial growth and security (Financial Planning Association publications, 1995). This process includes the application of a person's resources in a logical and systematic manner taking into account the risk, age, and emotional needs of the person (Hatfeld

1994). Financial planning involves insurance, investment, taxation, retirement and estate planning issues. A financial planner provides advice and assistance to the client for the purposes of achieving the client's financial goals.

The financial planning service is a high involvement and expensive service (Bland 1997). A client needs to inquire about the adviser's qualifications, the fees, the sort of license he or she holds and the level of his or her professional indemnity insurance (Financial Planning Association brochures 1995).

Changing customer behaviour is significantly affecting the marketing of financial services (Meidan 1996). Present financial services customers are increasingly sophisticated, more demanding, more financially literate, and more cost and price conscious than ever before. Richard Cockburn, executive director of regional management with the Australian Securities Commission has stated that emphasis should be placed on educating investors about the investment process (Bland 1997). Further he points out that the process of educating the investors will make them more demanding and less trusting therefore financial advisers must deliver a quality service.

While professional education and experience of the financial adviser are important to clients, these are not all the attributes that should be emphasised (Bland 1997). Personal financial planning services selling involves emotional factors as well. A good adviser is one who listens to the needs of his clients and understands their situation thoroughly (Bland 1997). Thus financial planning professionals are advised to equip themselves with people skills along with professional qualifications.

Hatfeld (1994) states that a financial planner has to be intimately familiar with many aspects of the client's situation in creating a service. This process may include disclosure of the client's personal relationships. It can also touch upon physical and mental health, and marital strength. A client should feel comfortable while dealing with his adviser.

Meidan (1996) states that financial services (including financial planning) involve a personal consultative selling. Therefore, development of a relationship between client and adviser (financial planning professional) is a critical issue and financial planning service firms seek ways to create and sustain relationships between clients and advisers.

1.3 Problem Identification

As discussed in the previous section, while financial services firms today are focusing their efforts to build long term value-laden relationships, it is quite surprising that there is a limited literature in this area (Meidan 1996).

It follows from the literature that commitment has been recommended as a focal variable in business relationships (Anderson and Weitz 1992; Morgan and Hunt 1994 and Gundlach, Achrol and Mentzer 1995) and should be nurtured by the exchange partners. The first study to explore commitment was completed by Ford (1980). He identified the crucial role of commitment in the development of interfirm relationships.

The conceptualisations of Dwyer, Schurr and Oh (1987) highlighted five general phases of the relationship development process e.g., Awareness, Exploration, Expansion, Commitment and Dissolution. It further indicated that growth of commitment in relationships is positively related to levels of trust, satisfaction and communication.

Morgan and Hunt (1994) advanced the key mediating variable model of relationship marketing that focused on the relational development process and found commitment and trust to be key mediating variables. Morgan and Hunt (1994) viewed the concept of commitment to be similar to brand loyalty (Jacoby 1971).

Earlier, brand loyalty was defined by Assael (1987, p665) as "commitment to a certain brand". The degree of customer loyalty to brands and stores, and the determinants of loyalty are of major importance in designing marketing strategies in both consumer and industrial markets (Jacoby and Chestnut 1978). A wide interest converted this area into one of the principal areas of marketing, in which rigorous theoretical and a variety of empirical approaches combined together to study consumer loyalty and its determinants (Massy 1966; Wind 1970), but most of the effort was concentrated in consumer goods and industrial markets.

Oliver (1997) indicates that customer satisfaction leads to loyalty. Bitner (1990), and Craig-Lees and Caldwell (1994) also suggested that satisfaction/dissatisfaction is considered to act as a key antecedent to loyalty. Dwyer, Schurr and Oh (1987) stated that commitment is developed after achievement of satisfaction from the exchange process, while Fornell (1992) indicated that the impact of customer satisfaction for repeat business and loyalty is not the same for all businesses. Loyal customers may not necessarily be satisfied customers but satisfied customers tend to be loyal customers. Therefore it follows from the above discussion that satisfaction influences commitment.

A search of the literature suggests that structural constraints exist in long term relationships that hold the customer and the supplier together even when overall satisfaction declines (Johnson 1982; Ping 1993). Switching costs, investment in the current relationship and alternative attractiveness have been identified as structural barriers in channel relationships (Ping 1993) and acted as barriers to exit in a range of relationship contexts (Lovelock, Patterson and Walker 1998). Switching costs implies all the costs incurred when the present relationship is terminated and a new relationship is started. Search cost, learning cost, frustration of losing an old friendship/partnership, start up costs are reported as the main elements in switching costs (Porter 1980). Investment in a relationship has been defined as the time, effort and money put in developing the current relationship. Alternative attractiveness is an estimate of satisfaction available in a new relationship (Ping 1993). Porter (1980) stated that switching cost becomes a barrier to exit from a relationship in the case of diminishing satisfaction. Ping (1993) noted that search, negotiation and monitoring costs in starting a new relationship affects loyalty towards the current relationship. Further, exploratory findings of research in channel relationships suggests that the decision to exit from the current relationship gets complicated not only because of high switching cost but also because of the lack of an attractive alternative and the degree of investment in the relationship (Ping 1993). Relationships develop through the investment of resources, so exiting may make assets obsolete that are unique to the relationship. Wilson and Mumalaneni (1989) suggest that investments to maintain a relationship cause commitment to the relationship to be increased by both parties. Anderson and Weitz (1992) reported that investment was positively associated with relationship commitment, arguably related to exiting. Ping (1993) observed that alternative attractiveness was positively associated with exiting.

Morgan and Hunt (1994) examined the effect of relationship termination costs on relationship commitment but only one category of switching costs (economic costs) was taken into consideration. There are psychological costs that can also play an important role in maintaining relationships. This study empirically investigates the simultaneous impact of switching cost (economic as well as psychological), investment in the current relationship, alternative attractiveness, trust and satisfaction on commitment.

Furthermore, personal financial planning services involves a personal selling mechanism because of the major role played by the adviser in creating and delivering the service. Crosby, Evans and Cowles (1990) have suggested that more research in the service contexts needs to be done where the salesperson plays an influential role. A number of authors in the services marketing literature recognize the importance of personal interaction in creating satisfied customers (Crosby and Stephens 1987; Parasuraman, Zeithaml, and Berry 1985). In a service setting, in which the salesperson assumes the key implementation role such as personal financial planning services, the sales person's performance and communication effectiveness can be looked at as important variables for developing client commitment.

Communication effectiveness is critical to the development of a long lasting adviser-client relationship because the continual sharing of information creates a realistic expectation of the service in the client's mind. He comes to understand what he is going to receive and what would be the cost of service. Bland (1997) reports communication skills form the basis of personal financial planning services.

The level of the adviser's performance also plays an important role for developing a value laden relationship. Clients positively assess the service if the perceptions of the provider's performance are at a higher level. Performance leads to satisfaction (Patterson 1993) and thus creates a favorable climate for the development of a lasting relationship.

Therefore, the absence of research in the personal financial planning services area, and the importance of a salesperson's contribution to developing and maintaining a long term relationship with the customer, and, the need of a better understanding of the determinants of relationship commitment in complex service settings motivated this research. The following research issues are identified.

1.4 Research Issues

The focal variable in this study is relationship commitment as perceived by the client in personal financial planning services. A model will be formulated that depicts the key antecedents of relationship commitment. The model will then be tested in the context of the financial adviser-client relationship.

The broad research objectives in this study are:

(a) To model the antecedents of relationship commitment in a causal path framework, in the context of professional, consumer services (financial planning services);

(b) To examine the moderating impact of a number of key variables (switching cost, investment in the current relationship, alternative attractiveness and client knowledge and experience) on the relationships that determine relationship commitment

More specifically, a series of research questions are developed and are presented as follows:

- What is the relative role of trust, overall service satisfaction and communication effectiveness in developing relationship commitment?
- Does trust mediate the impact of overall service satisfaction on relationship commitment in the personal financial services context?
- Does trust mediate the impact of communication effectiveness on relationship commitment?

- How do switching cost, investment in the current relationship and alternative attractiveness moderate the impact of trust and overall service satisfaction on relationship commitment?

- Does an adviser's performance have a direct (or indirect) impact on overall service satisfaction and trust?

- How does the clients' knowledge and experience in purchasing financial services affect the impact of performance on overall service satisfaction?

1.5 Theoretical and Managerial Implications of the Study

Theoretical Implications

The findings of this study will provide further insight into the buyer and seller relationship, particularly in the context of professional consumer services. The answers to the questions discussed in the previous section will further build on the findings of earlier research in the area of relationship marketing. To date, the understanding of the moderating effects of switching cost, investment in the current relationship and alternative attractiveness on relationship commitment is limited. It is unknown how these constraints interact with trust and satisfaction, which are highlighted as the essential variables in relationships (Morgan and Hunt 1994; Anton 1996). Further, the research findings will also enrich the research in the personal selling area, by investigating the impact of service performance on relationship commitment.

Managerial Implications

The findings should also be important to financial planners. Given the emphasis on retaining customers and an understanding the importance of lasting relationships with clients (Crane 1989; Levitt 1983), it is extremely important to understand the key issues of the client-adviser relationship process from the client's viewpoint. The research findings will serve as a useful guide for personal financial planners in designing appropriate marketing strategies and tactics.

1.6 Research Methodology

This section introduces the methodology used in the research. A more detailed description of methodology is provided in chapter 3.

The research design includes both exploratory and descriptive research. The exploratory phase was undertaken to formulate a theoretical model and develop appropriate hypotheses that could be tested using a descriptive design involving quantitative research. A structured questionnaire was designed for the purpose of the quantitative research phase.

The questionnaire was mailed to 874 clients of two mid sized, full service financial planning services firms in Wollongong City in Australia. The clients had been using the services of these firms for 6 months to 18 years. A single cross sectional study, using a self administered questionnaire was used to capture data pertaining to the relationship between client and adviser.

The data analysis was done using a computer software, Statistical Package for Social Sciences version 6.1 for Windows. First, the reliability, validity and unidimensionality of measures was established. Later, regression analysis, path analysis, moderated regression analysis and subgroup analysis were used for hypotheses testing.

1.7 Organisation of the Study

This thesis is organised into six chapters. Chapter one presents the overall framework of this study. The literature review is presented in the second chapter. Chapter two will review the relationship marketing literature in general, followed by a specific review of pertinent areas of past research relates to the model. This examination of extant literature will enable deficiencies in the existing body of knowledge to be identified and provide the basis of justification for this study.

Chapter three presents the conceptual model to be tested in this study. The hypotheses to test the relationships between relationship commitment and its various antecedents are developed.

Chapter four details the methodology used in this research. It explains the research methods used and gives the reasons why they have been chosen. The chapter also gives details of the sampling plan, data collection method and discussion on operationalisation of the research variables.

Chapter five provides an analysis of the data collected. It contains summary statistics, details of reliability, validity and unidimensionality of the measures used in this study and the results of testing of the hypotheses developed in chapter three.

Chapter six provides summary, findings, conclusions and implications.

Chapter 2

Literature Review

In order to gain an understanding of the relationships between relationship commitment and other variables that influence the client-adviser relationship in the personal financial planning services, an examination of the relevant literature was undertaken. The following is an overview of this chapter.

The first four sections set the theoretical background. Section one details the characteristics and unique features of services marketing. Section two reviews the literature concerning relationship marketing. It details the concept of relationship marketing and the latest research done in this area. Section three provides an overview of industrial marketing and highlights the importance of long term strategic alliances between the customer and supplier. The rationale for studying industrial marketing literature is its rich contribution to the relationship marketing theory. The last section briefly highlights the research related to the management of long - term relationships in the marketing channels literature. It discusses the research on various factors associated with linkages between exchange members.

Based on the preceding literature review, section five summarizes the limitations in the extant research literature in this topic area. Figure 1 (see next page) provides an overview of the key literature relevant to this thesis.

2.1 Services Marketing

2.1.1 The Services Sector

Services permeate every aspect of our lives. Every developed economy in the world now has a large services sector. The importance of services in the world economy is evidenced by the fact they contribute an average of more than 60% to the gross national product of all industrialised nations (Riddle 1986; Jackson, Neidell and Lunsford 1995). Mills (1986) observes that in the current U.S. economy, three out of four workers are employed in services as compared to 1900 when only 30% of the labour force was employed in the services sector. According to an annual report of the Australian Coalition of Service Industries for the year 1994, 79% of Australians are employed in services. It is also reasonable to assume that the decline of traditional manufacturing industries, and the increasing use of micro technology will mean a continued shift towards employment in, and expansion of, the services sector of economies in developed countries. These figures indicate that services have emerged as an important sector world wide and thus demands an understanding of marketing them.

2.1.2 The current debate on goods and services

Literature in services marketing has been growing rapidly in recent years and marketing scholars have been increasingly making a distinction between services and goods marketing (Berry 1980; Grönroos 1979; Lovelock, Patterson and Walker 1998; Thomas 1978; Zeithaml, Parasuraman and Berry 1985).

Three basic assumptions pervade the growing body of literature on services marketing:

(1) A number of unique characteristics (intangibility, inseparability of production and consumption, heterogeneity, and perishability) separate services from goods (Lovelock, Patterson and Walker 1998; Sasser 1976; Zeithaml, Parasuraman and Berry 1985);

(2) These characteristics pose vexing problems for service marketers that are not faced by goods marketers (Zeithaml, Parasuraman and Berry 1985); and

(3) Services marketing problems require services marketing solutions; thus strategies developed from experience in goods marketing are insufficient (Zeithaml, Parasuraman and Berry 1985).

Over the past years, many researchers in the field of services marketing have challenged this assertion that goods marketing theories can be simply extended to services marketing. Among them are Berry (1980), Grönroos (1978, 1979, 1982), Lovelock (1980, 1983), Shostack (1977) and Thomas (1978). They asserted that the nature of transactions and customer relations in services marketing is unique enough to cause differences in strategy requirements, for example Grönroos (1982) stated:

"Although the end desires of customers of goods and services are similar, the objects of transaction and the customer relation differ between manufacturers of physical goods and a service firm. These differences have consequences for strategy that have to be taken into account if marketing of services is to be developed." (p 12)

However, numerous authors have contradicted the notion of intangibility for separating goods from services (Enis and Roering 1980, 1981; Levitt 1979, 1980 and 1981). Murray and Schlacter (1995) observe that many services have tangible aspects associated with them and many goods possess intangible characteristics with them due to branding. Shostack (1977) suggested a product continuum to recognize that all products are characterized by varying degrees of intangibility. Johnson (1969) maintains that all products possess common properties and can be viewed as possessing 'degrees' of intangibility, simultaneity of production and consumption, buyer participation etc. Thus theoretically goods should be differentiated from services on the basis of relative proportions of each specific dimension (e.g., intangibility, nonstandardization, simultaneity etc.) as well as the perceived dominance of each dimension relative to all other dimensions involved in defining the product (Murray and Schlacter 1995). Further, they state that services exhibit higher degrees of intangibility and nonstandardization. Jackson et al (1995) also note that the greater intangibility of services is the major characteristic that differentiates goods and services. The following discussion highlights the relevance of intangibility, heterogeneity and inseparability of production and consumption for understanding the nature of personal financial planning services.

Intangibility

A fundamental difference universally cited by researchers (Bateson 1977; Berry 1980; Sasser 1976 and Shostack 1977) is that services are intangible, they cannot be touched, tasted or seen. In addition, services cannot be readily displayed and communicated and therefore can be difficult for the customer to understand. This contrasts with the physical substance or tangibility of goods. As a result, customers cannot experience and judge the quality of a service before actually purchasing and consuming it.

Financial planning services are highly intangible being at the 'pure' services end of the goods-services continuum (Zeithaml 1981). Financial planning service is a performance rather than an object. Purchasing a financial planning service is different from purchasing goods because the outcome depends upon not only the technical skills of the service provider but also on his understanding of the individual client's needs and preferences. It is not always possible to illustrate, demonstrate or display the services of a financial adviser (Meidan 1996) due to intangibility characteristic of these services. It then becomes harder to convey to the consumer about the special benefits of financial services (Meidan 1996). The greater degree of intangibility in financial services makes it difficult to explain the various aspects of the investment process to the clients.

Mostly clients lack knowledge and experience in understanding the investment options and processes. A client has to rely on his adviser while making a purchase of this type of service (Patterson and Sharma 1997). Due to not completely understanding and confidently assessing the adviser's competencies, clients may feel a risk in making the purchase decision (Meidan 1996).

Heterogeneity

Heterogeneity is the second characteristic of services which implies that in performing the service, a human element is always involved (Berry 1980, 1983; Johnson 1969, 1981; Rathmell 1966, 1974). Therefore, it is much more difficult to standardize and control the quality for services than for goods. The quality and essence of a service (a medical examination, restaurant meal etc.) can vary from provider to provider. The outcomes of services are less uniform than that of goods because they are people-based. This quality makes services high experiential. The customer cannot be certain about a particular purchase on any given day even if he had been a regular user of that service.

The financial planning services are technically highly complex and as said earlier, are difficult for a client to completely grasp. The recommendation of investment options to a particular client depends upon the knowledge, skills and competence of the adviser. These services cannot be standardised (Meidan 1996). Two professionals may recommend entirely different options to the same person. Further, there are many factors in the money market that influence the outcome of an investment product and are beyond the reach of a financial planner. Therefore even after purchasing and experiencing this type of service a client cannot evaluate the service. Purchasing meals from a restaurant or flying an airline does not make it difficult for the user of service to evaluate the quality after experiencing it but purchasing a financial planning service does. Due to these inherent difficulties clients often feel a risk in making a purchase decision (Meidan 1996).

Inseparability

The third characteristic of services is inseparability of production and consumption (Bateson 1977; Berry 1983; Grönroos 1978, 1979, 1982) . Unlike goods that are first produced in a factory, then sold and finally consumed, services are first sold, then produced and consumed simultaneously. Inseparability forces the buyer into intimate contact with the production process (Zeithaml, Parasuraman and Berry 1985). The buyer has to participate in producing the service. A person has to explain his haircut style before receiving the service of a hairdresser. Berry, Zeithaml and Parasuraman

(1985) state that for many services the customer is in the factory. How the service provider speaks, how he/she dresses, all potentially shape the customer's perceptions of service quality. Gelb, Smith and Gelb (1988) report that a survey of the doctor/patient relationship found that the personality of doctors was one of the most important reasons for changing doctors.

Personal financial planning services are high contact services and involve a continuous stream of transactions (Berry 1983; Lewis 1989; Lovelock 1983). It is particularly troublesome because the backgrounds of those delivering the service and those buying it are often quite different. The adviser's office atmosphere, language, dress and skills are part of the customer's experience (Meidan 1996). This causes quality problems sometimes by affecting customer satisfaction.

Ennew, Watkins and Wright (1995) assert that managing the quality of financial services becomes a very difficult issue because clients do not only judge the technical aspects of the service, they also assess how the service has been delivered. Further, they report that relationship marketing is increasingly being used in the financial services area to improve the quality aspects of service and hence customer satisfaction (Ennew, Watkins and Wright 1995; Watson 1986; Turnbull and Gibbs 1987 and Blinks and Ennew 1991). Lewis (1989) states that personnel in financial services are instrumental in the creation and provision of service quality and in so doing, they need to 'care' for the customer. Therefore, putting the customer first, anticipating needs and problems, tailoring products and services to meet needs, and ensuring customer satisfaction are important issues in this sector.

Perishability

Another characteristic of services is perishability. Perishability means that services cannot be stored or saved (Bateson 1977; Berry 1980 and Thomas 1978). Hotel rooms not occupied, airline seats not purchased and movie tickets not sold cannot be inventoried. Due to this unique characteristic, it is difficult for the service provider to synchronize supply and demand. Sometime too much demand exists (restaurants are heavily booked on Friday nights) and sometimes too little demand exists (airlines are not booked much in the period March-September).

The demand for certain categories of financial services e.g., life insurance, fluctuates significantly (Meidan 1996) according to the level of general economic activity. This factor puts extra pressures on the marketing functions in insurance companies.

A key point emerges from the above discussion that due to the high degree of intangibility, heterogeneity and inseparability of production and consumption, the purchase decision of personal financial planning services become a high risk situation (Meidan 1996). A client does not understand the core product in the supplier's offering and tries to get clues about service quality from his interaction with the service provider. As Bland 1997 asserted, "the relational skills of the adviser may go a long way in forming a base for a successful business."

2.1.3 Classification of Services on the basis of Search, Experience and Credence Qualities

Darby and Karni (1973) proposed a three category classification of goods based on search, experience and credence qualities. Search qualities are the attributes which a customer can determine prior to purchasing a product. Experience qualities are the attributes which can be discerned after purchase or during consumption. Credence properties are the characteristics that make services in particular difficult to evaluate even after purchase and consumption. Clothing, furniture and jewellery are high in search qualities. Restaurant meals and vacation experiences for example are high in experience qualities, whereas management consulting and medical diagnosis belong to the high credence category i.e., they cannot be evaluated by a client even after purchase and consumption. Most services possess few search and many experience qualities. Professional services e.g., accounting, financial planning, private banking are high in credence qualities (Crosby, Evans and Cowles 1990). Many clients have difficulty in evaluating the service with confidence. Financial planning services can be distinguished from the services high in experience properties, such as restaurant or airlines services where the customer can evaluate the service rendered during , and immediately following 'consumption'. Financial planning services vary considerably in their technical (product) complexity and may propose vastly different (customized) investment approaches thereby making it difficult for the clients to readily compare between suppliers (with any confidence).

Zeithaml (1981) proposed a framework for isolating the differences between the consumer evaluation processes for goods and services by presenting a continuum of evaluation. This ranged from "easy to evaluate" to "difficult to evaluate" for "goods" and "services". The left end of the continuum presents the goods that are high in search qualities, easiest to evaluate even before purchase. In the center are the goods and services high in experience qualities, more difficult to evaluate because they must be purchased and consumed before assessment is made. At the right end of the continuum are the goods and services most difficult to evaluate because the consumer may lack sufficient technical knowledge to assess the quality of the offerings. Most services fall to the right side due to intangibility, heterogeneity, and inseparability of production and consumption. Figure 2 presents a continuum of evaluation of goods and services proposed by Zeithaml (1991).

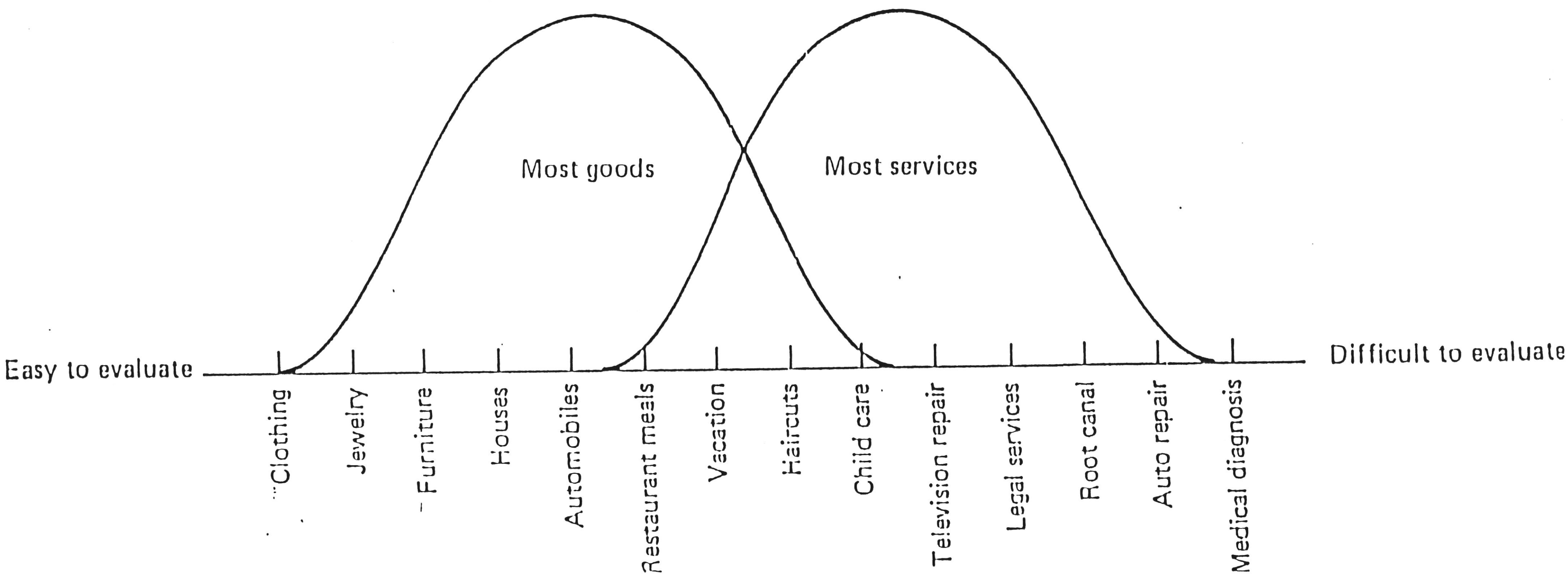
In the case of services that are high in experience and/or credence qualities, customers develop some kind of psychological risk in switching to a new service supplier (Berry 1980; Zeithaml et al. 1985). They often lack confidence in assessing the competence of the service provider. This attitude becomes a switching barrier for the customer.

Many service industries rely on creating switching barriers for customers by locking them into a membership relationship e.g. airlines design frequent flyer programs to increase repeat business from passengers (Fornell 1992). They give an economic incentive that motivates the buyer to use the same airline service.

In commercial banking, it is viewed (Barnes 1994) that the customer retention rate can be elevated by increasing switching costs. Customers are locked into a long term mortgage with penalties for prepayment and renegotiating.

As mentioned above, many businesses create frequent - buyer clubs and membership programs to develop customer loyalty by virtue of the customer returning to continue accumulating points. But these practices do not reflect a true relationship with the customer. As Bland (1997) states, "the financial planning services is a relationship business and advisers must rely on meaningful communication to base their relationship with clients." Crosby, Evan's and Cowles (1990) suggest that in financial planning, accounting, banking and insurance etc. effective relational skills of the service provider go a long way in developing future sales.

FIGURE 2 · CONTINUUM OF EVALUATION FOR DIFFERENT TYPES OF PRODUCTS



Adapted from ' How consumer Evaluation Processes differ between Goods and Services'
by Valarie A. Zeithaml in 'Services Marketing' (Second Ed. 1991) by Christopher Lovelock.

2.1. 4 The Personal Financial Planning Services Sector

Financial planning services are typical of many professional services. They are complex, highly customised, high in credence properties and delivered by qualified personnel (Crosby, Evans and Cowles 1990; Ennew, Watkins and Wright 1995; Sharma et al. 1997).

Personal financial planning is the application of a person's financial resources for the benefit of that person and/or others in a logical and systematic manner taking into account the risk, age, emotional and cultural needs of the person (FPA publication 1995). It involves making the best use of resources to ensure income, financial growth and security. More specifically, financial planning involves preparing financial plans, portfolio management, tax planning, insurance, superannuation, property, shares, fixed interest investments etc.

The financial planning process involves a six step process in meeting a client's goals:

1. Data gathering;
2. Goal setting;
3. Identification of financial problems;
4. Preparation of written alternatives/recommendations;
5. Implementation of the agreed upon recommendations; and
6. Review and revision of the plan.

First a plan has to be prepared, then implemented, and ultimately, the objectives are accomplished. This is not just the delivery of a plan to the client and then walking away (Financial Planning Association Reports 1995). Different types of services are needed by different clients. Some clients in this service area are looking for advice in a very narrow context. They want to best finance the acquisition of a specific asset (Financial Planning Association Brochures 1995). Others are seeking advice on a more global basis - they want to accumulate assets to provide for a comfortable retirement and still provide for their spouse and children.

A financial planner makes recommendations on the basis of a comprehensive understanding of the needs and objectives of the client (Hatfeld 1994). He has to conduct a life style analysis to determine the type of future desired by the client. This involves close contact between the client and the adviser.

A financial adviser must make careful recommendations (Bland 1997). An unsatisfactory service may motivate a client to end dealing with a current adviser and change to an alternative adviser at any time.

Advisers therefore must strive for developing a trusting relationship to retain existing clients. Financial advisers must practice relationship marketing while giving service to their clients in order to develop a long - term relationship (Meidan 1996).

The selection of any professional - whether a doctor, dentist, lawyer, accountant or financial planner - is a decision which deserves careful thought and attention (Financial Planning Association Brochures 1995).

Lovelock (1983) asserts that due to inherent risk and complexity of services, many service contexts involve long term commitments. The services literature recognizes the importance of contact between the customer and the service provider in creating satisfied customers (Crosby and Stephens 1987; Parasuraman, Zeithaml and Berry 1985).

The performance of a personal financial planning service involves a continual stream of interactions between the client and adviser, thus it is of a long term relational nature and relationship marketing is quite a relevant concept in this field.

Crosby, Evans and Cowles (1990) asserted that there is a lack of research in the area of services of a long term relational nature. The current study focuses on the long term relationships between a client and his adviser and thus attempts to contribute to the growing literature in the marketing of financial services.

2.2 Relationship Marketing

Recently, Morgan and Hunt (1994) proposed that:

"Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges." (p 22)

Several researchers sought to present a framework to describe relationship marketing. Dwyer, Schurr and Oh (1987) proposed a process of relationship development which is divided into five stages: Awareness, Exploration, Expansion, Commitment and Dissolution. They defined commitment as an implicit and explicit pledge of relational continuity between exchange partners. An alternative framework proposed by Levinger (1980) consists of a five phase sequence. In this sequence, commitment is seen as a transitional phase between the formation of a growing relationship and the maintenance of a mature one. Ford (1980) suggested identifying and managing the crucial stages in the development of the relationship and asserted that commitment is an important variable in a relationship. Moorman, Zaltman and Deshpande (1992) investigated the impact of trust on commitment and other relationship processes. Morgan and Hunt

(1994) advanced the key mediating model which focuses on centrality of commitment and trust in channel relationships and advised that every effort must be made to nurture these precious attributes in exchange relationships.

The relationship marketing approach has eventually entered the marketing literature (e.g., Christopher, Payne and Ballantyne 1991; Grönroos 1989a, 1989b, 1991 and 1992; Gummesson 1987a, 1987b; Dwyer, Schurr and Oh 1987; Jackson 1985 and Sheth and Parvatiyar 1995). Gronroos (1994) state that relationship building and management is an underlying facet in the modern research in industrial marketing and services marketing. Research and practice in marketing during the past twenty years particularly point to the significance of relations, networks and interaction (Dwyer, Schurr and Oh 1987; Ford 1980; Heskett 1987).

Despite the fact that there is no common definition (Barnes 1994) of the concept of relationship marketing, many researchers agree that relationship marketing emphasises relational exchange rather than an exchange in a narrow sense of the transaction, and reflects an ongoing process (Dwyer, Schurr and Oh 1987; Gronroos 1990a; 1990b; Kotler 1984). This concept emphasises the strategic importance of long lasting relationships between buyers and sellers. The emphasis is on keeping existing profitable customers rather than continually attracting new ones (Berry 1983; Corpulsky and Wolf 1990; Jackson 1985; Martin and Sohi 1993; Ryans and Wittink 1977).

Researchers and practicing marketers have given a host of reasons for the growing awareness of building long term bonds with customers. These include increased competition in consumer markets (McKenna 1991), advances in communication and data base technology (James 1991; McKenna 1991), a better and keener grasp of issues in services and industrial marketing (Gummesson 1987), and the cost of winning a new client vis - a -vis the cost of retaining existing ones.

Services marketing and the network approach to industrial marketing are the two most important areas, where relationships have developed. Services marketing experienced its breakthrough during the 1980s with important contributions from researchers and practitioners from many countries (Berry and Parasuraman 1993; Fisk, Brown and Bitner 1993). The network approach is based on empirical studies done by the IMP (Industrial Marketing and Purchasing) Group which has its roots in Europe (Ford 1990). There is however no consensus among researchers about the general definition of relationship marketing.

Craig-Lees and Caldwell (1994) explained that although the interest surrounding relationship marketing may suggest that it is new for developing marketing theory, many areas of business in practice, have been dependent upon the establishment and maintenance of good working relationships.

2.2.1 Limitations in Relationship Marketing Theory

Trust has been recognized as playing the most important role for relationship continuity in contemporary relationship marketing theory (Geyskens and Steenkamp 1995; Morgan and Hunt 1994; Moorman, Zaltman and Deshpande 1993). But sufficient argument exists that brand loyalty is also positively related to customer satisfaction (Oliver 1997) .

Rust and Zahorik (1993) and Storbacka, Strandvik and Grönroos (1994) have addressed the issue of the development of customer retention (customer loyalty) and its impact on profitability of the services firm. Storbacka, Strandvik and Grönroos (1994) developed a model to understand the impact of customer satisfaction on commitment. Customer loyalty/commitment has been linked to customer satisfaction in numerous studies. Besides customer satisfaction, several researchers have investigated the impact of performance in this area. For example, Tse and Wilton (1988) provide the empirical support for the direct effect of performance on satisfaction. Sheaves and Barnes (1996) have also contributed significantly toward an understanding of relationship development with the customer. The literature indicates that customer loyalty/commitment, customer satisfaction and product/service performance are interrelated concepts.

In view with these findings, loyalty/commitment to consumer services can be expressed as a function of client service satisfaction and service performance of the service provider and in the case of the personal financial planning services the financial adviser. To obtain a better understanding of the relationship development and maintenance process, there is a genuine need to include service satisfaction and service performance constructs in relationship marketing models in addition to looking at trust.

Previous models of relationship commitment have not empirically investigated the simultaneous impact of satisfaction, performance and trust on commitment (to assess the relative importance of each variable in developing relationship commitment). Recognising this gap in relationship marketing research, the present study empirically investigates the simultaneous impact of trust, service satisfaction and service performance on relationship commitment in personal financial planning services. This will enable us to better understand the role of each antecedent relative to others for developing client commitment toward his/her adviser.

Empirical research in industrial marketing and marketing channels has contributed significantly to the concept of management of long-term relationships between buyer and seller (Arndt 1979; Ping 1993; Wind 1970 and, Heide and John 1990). It has been suggested that exchange partners find it difficult to terminate a relationship even when there is diminished satisfaction.

Switching cost, investment in the relationship and alternative attractiveness are thought to act as the constraints that hold partners together even in a troubled relationship (Jackson 1985; Ping 1993) in marketing channels. However, in the services marketing area, to date, no significant research has investigated the impact of these constraints in maintenance of the relationship between the client and the service provider. The current study attempts to examine the role played by switching cost, investment in the current relationship and alternative attractiveness in the context of a professional service.

Management of long term relationships has been a topic of research in numerous studies in industrial marketing and distribution channels (Ping 1993). Sections 2.3 and 2.4 briefly explain the literature related to the relationship marketing concept that emerges from industrial marketing research and research in marketing channel relationships.

2.3 Relationship Development in an Industrial Context

Relationship marketing in industrial markets has given considerable attention to buyer-seller relationships and advocated their establishment and cultivation. Turnbull and Wilson (1989) advocated the establishment of long-term buyer-seller relationships through the creation of structural and social bonds between companies. A structural bond was defined as a situation that pertains when " two parties make investments that cannot be retrieved when the relationship ends, or when it is difficult to end the relationship due to complexity and cost of changing sources." Social bonds are created when an interpersonal relationship exists between two parties, and were considered by the authors to represent more easily broken or less binding elements of a relationship.

Jackson (1985) also noted about the long-term relationships between industrial buyers and sellers. Other books published on industrial marketing (Hakansson 1982, Turnbull and Valla 1986 and Ford 1990) are also based on the relationships marketing paradigm. Arndt (1979) noticed that industrial markets revolved around the buyer-seller dyad. Alexander et al (1967) noted that industrial markets were characterized by two sorts of relationships: formal and informal; the latter being characterized by loyalty, confidence and reciprocity.

Han, Wilson and Dant (1993) view close relationships as a part of the shift toward partnering with single source suppliers, the benefits of which include enhanced performance, purchasing cost reduction and increased technical cooperation. The most successful such buyer-seller relationships appear to be characterized by mutual trust between buyers and sellers, based upon exchange of information and continued exhibition of commitment, and satisfactory performance of the partners' respective roles.

The interaction/network approach to industrial marketing proposed by the Industrial Marketing and Purchasing group (IMP group) has spread to a large number of countries. It identifies that between parties in a network, various interactions take place, where exchanges and adaptations to each other occur. A flow of goods and information as well as financial and social exchanges takes place in the network of interconnected firms (Hakansson 1982; Johanson and Mattson 1985; Kock 1991). To explore the nature of relationship building and management were found to be the basic aims of these studies.

2.4 Relationship Marketing in the Channels Literature

Most empirical research contributing to the body of channel knowledge has focused on the management of long-term relationships between firms (Arndt 1979; Heide and John 1992; Wind 1970). As a result, the channel literature is rich with examinations of the dynamics of these relationships: relationship formation (Dwyer, Schurr and Oh 1987; Ford 1980), communication (Mohr and Nevin 1990), commitment building (Anderson and Weitz 1992) and structural constraints (Ping 1993). Ping (1993) focused on dissolution on channel relationships and noted about the effect of switching costs, investment in the relationship and alternative attractiveness on loyalty, opportunism and neglect.

The research in channel relationships has been a great contribution to contemporary marketing theory by providing the knowledge of the role of trust and structural bonds of switching costs, investment in the relationship and alternative attractiveness (Jackson

1985; Ping 1993; Morgan and Hunt 1994). The concept of trust, switching cost, relationship investment and alternatives are worth considering in the professional services settings.

2.5 Limitations in the Extant Literature

Services marketing, and particularly, professional services marketing needs a relationship approach to marketing because of the inherent difficulties of risk, complexity, continuous nature and customization (Crosby, Evans and Cowles 1990; Levitt 1983; Lovelock 1983).

The aim of service providers today is to generate customer loyalty. Reichheld (1993) stated that, "At MBNA (in the credit card business in the US), a 5% increase in retention grows the company's profit by 60% by the fifth year".

Despite the importance of client commitment toward the service provider, attempts to explore the key determinants of this construct are limited. Crosby, Evans and Cowles (1990) asserted that there is a need to gain more understanding of the relationship process in complex service settings i.e., personal financial planning, accounting, advertising.

Literature in the services marketing area shows that relationship quality consists of trust and satisfaction (Crosby, Evans and Cowles 1990; Crosby and Stephens 1987). Cronin and Taylor (1992) note that service satisfaction improves customers' intentions to stay with the firm.

Morgan and Hunt (1994) suggest that trust and commitment are central in relationships and trust mediates between communication, opportunistic behaviour, shared values, and commitment.

Dwyer, Schurr and Oh (1987) posit that commitment is reached when a considerable level of satisfaction has been obtained between two exchange partners. Ping (1993) suggested that satisfaction influences loyalty, voice, exiting, etc. in a retailing scenario. Literature to date discusses the importance of the role of trust for developing commitment toward the relationship. This study investigates the simultaneous impact of trust and satisfaction on commitment.

The role of service satisfaction is important, but how should service performance be highlighted in this context? Qualitative interviews indicate that in the personal financial planning services area, client commitment can be cultivated by providing him/her a benefit in terms of growth of funds, secure future, etc. To date, due to the lack of research in the personal financial planning services area, an indepth knowledge of the impact of the performance of the adviser on client commitment has not been gained.

The literature review suggests that there are several structural constraints in a relationship that hold the customer and supplier together even when overall service satisfaction declines (Jackson 1985; Porter 1980; Ping 1993). Porter (1980) states that switching costs become barriers to exit from a relationship in the case of diminishing satisfaction. Wilson and Mumalaneni (1989) suggest that investments to maintain a relationship cause commitment to the relationship to be increased by both parties. Ping (1993) posited that switching costs, investment in the relationship and alternative attractiveness play a prominent role in determining loyalty, opportunism, neglect, etc. in a retailing scenario. Morgan and Hunt (1993) examined the impact of relationship termination costs on commitment in which they covered economic costs. Dwyer, Schurr and Oh (1987) suggest that there are various psychological costs that keeps a customer committed to the seller. To date, no significant attempt has been made to understand the simultaneous impact of these structural constraints on commitment.

The issues discussed above reflect some major concerns in the marketing of professional services that are yet uninvestigated. This study makes an attempt to fill this void.

2.6 Summary

This chapter reviewed the extant literature associated with relationship commitment and its various predictors. It also briefly reviewed the literature on services marketing, relationship marketing, industrial marketing and channels literature relevant to the topic area. Various limitations in the existing body of literature were also discussed.

The next chapter presents the development of a conceptual model and the research hypotheses.

Chapter 3

Conceptual Model and Research Hypotheses

3.1 A Conceptual Framework to Investigate the Determinants of Relationship Commitment

A conceptual framework is developed to assess the effects of trust, overall service satisfaction, performance and communication effectiveness on relationship commitment. An attempt will be made to understand the impact of the structural constraints of switching cost, investment in the current relationship and alternative attractiveness on the linkage between relationship commitment, and overall service satisfaction and trust. The moderating influence of client knowledge and experience in purchasing financial services on the relationship between performance and satisfaction will also be examined. Therefore, the focal variable in this study is relationship commitment as perceived by a client toward his/her adviser in the context of a personal financial planning service. A model is formulated that depicts the antecedents of relationship commitment. The model was tested based upon the data gathered from 201 clients in two personal financial planning service firms.

3.1.1 Nature of variables: Direct, Mediating and Moderating variables

Direct variable

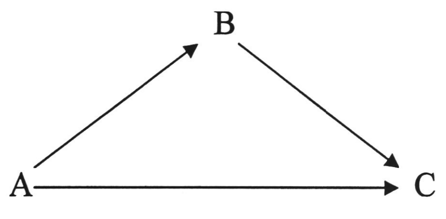
A direct variable means that the change in one aspect of this variable will have an uninterrupted (positive or negative) and straight impact on another variable (Hair et al.

1995). These two variables are then said to be in a direct relationship. The variable that brings about a change in another variable is called an independent variable. The variable that gets changed due to a change in the first one is termed as dependent variable. For instance the link between overall service satisfaction and relationship commitment is presented as a direct relationship and is displayed using a thick black line.

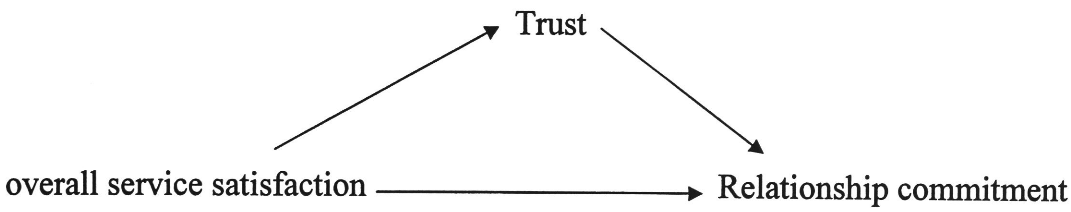
overall service satisfaction ⟶ relationship commitment

Mediating variable

A mediating variable intervenes between two variables (Baron and Kenny 1986). In other words a mediator variable does not change the nature of the link between the dependent variable and the independent variable but interrupts the effect of the independent variable on the dependent variable. Oliver (1997, p.40) describes a mediated performance model of satisfaction. Holmbeck (1997) states that a mediator (B in the diagram given below) falls in the causal pathway between two variables (A and C in the diagram); that is, if A is significantly associated with C, and if A influences B and B influences C, then B is a mediating variable between A and C (p. 600).



In the following example, trust acts as a mediating variable between overall service satisfaction and relationship commitment.



Moderating variable

A moderating variable is one which interrupts the link between independent and dependent variables and also changes the degree (strength) of relationship or the nature (form) of the relationship (Baron and Kenny 1986; Sharma, Durand and Gur-Arie 1981). It does not intervene between the variables like a mediating variable. It exists in the environment of variables and affects the natural link between them so that the nature of the impact of the predictor on the criterion (dependent variable) varies according to the level or value of the moderator (Zedeck 1971). Holmbeck (1997) states that a moderator interacts with the predictor variable in such a way as to have impact on the level of a dependent variable. For instance, switching cost acts as a moderating variable for the direct link between overall service satisfaction and relationship commitment as depicted below. It changes the strength of the link between these two variables in such a way that the effect of overall service satisfaction on relationship commitment either increases or decreases according to the magnitude of the switching cost perceived. The dotted lines in the conceptual model present the moderating effects.

Overall service satisfaction ⟶ Relationship commitment

↑

Switching cost

3.1.2 The Model of Determinants of Relationship Commitment in Personal Financial Planning Services

Figure 3 A (next page) depicts the model of determinants of relationship commitment that was advanced and tested. The model attempts to identify antecedents of relationship commitment toward the adviser, as perceived by the client who is currently using the services of that adviser. The model suggests that trust, overall service satisfaction and communication effectiveness are direct antecedents of relationship commitment.

Switching cost, investment in the current relationship and alternative attractiveness are hypothesized as moderating variables. The direct effects of investments, switching costs and alternative attractiveness on commitment/loyalty toward a relationship have already been investigated by several researchers (Anderson and Weitz 1992; Morgan and Hunt 1994 and Ping 1993). However these variables have not been researched so

Figure 3A Antecedents for Building Relationship Commitment for Personal Financial Planning Services

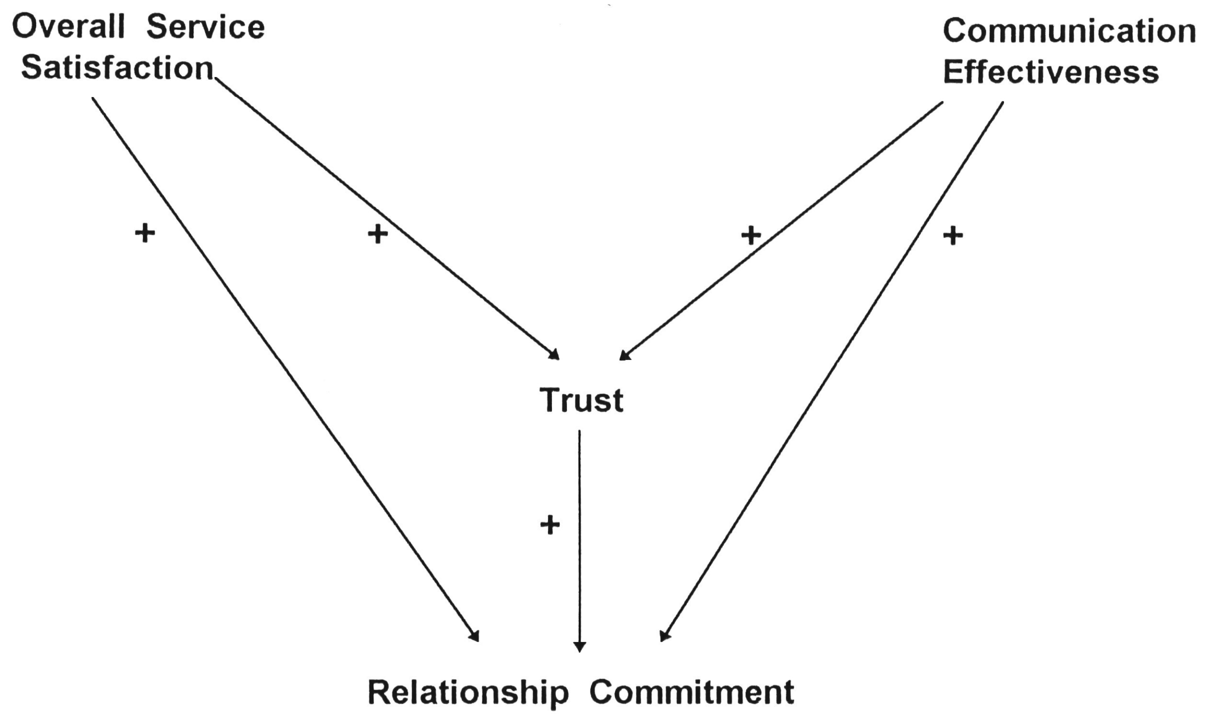


Figure 3 B Antecedents to Building Trust among Clients for Personal Financial Planning Services

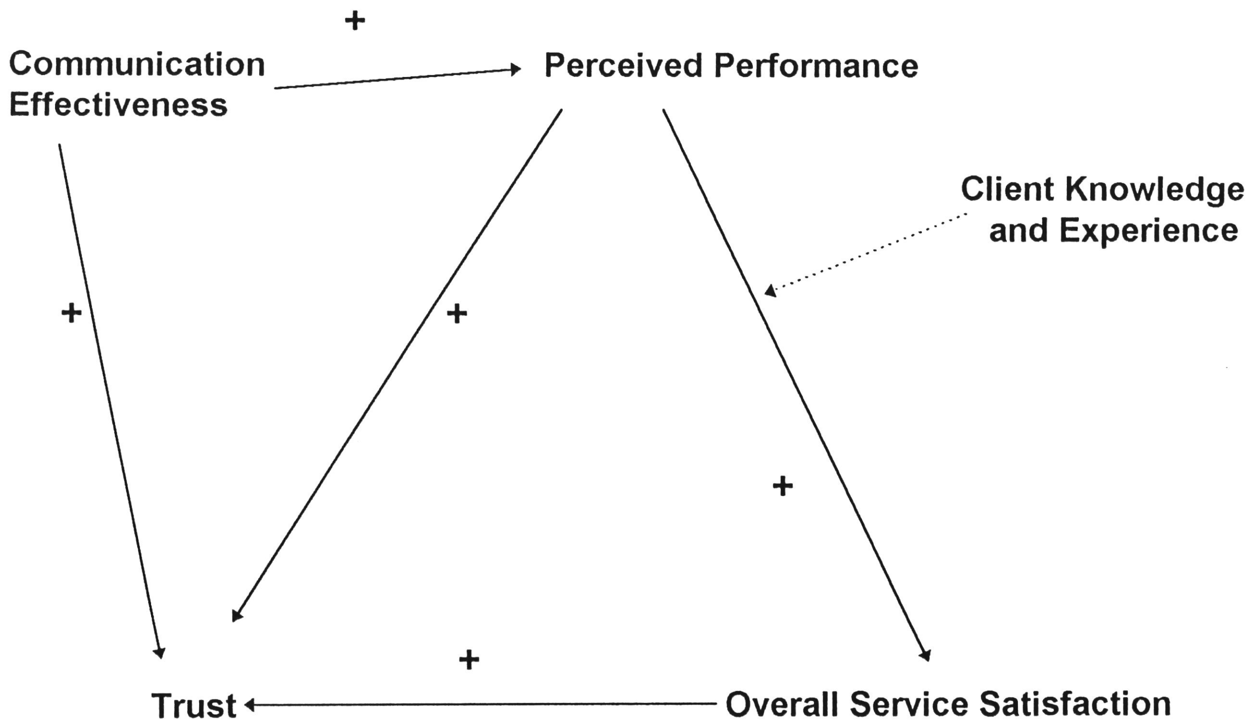


Figure 3 C
Moderating Effects of Switching cost, Investment in the Current Relationship and Alternative Attractiveness

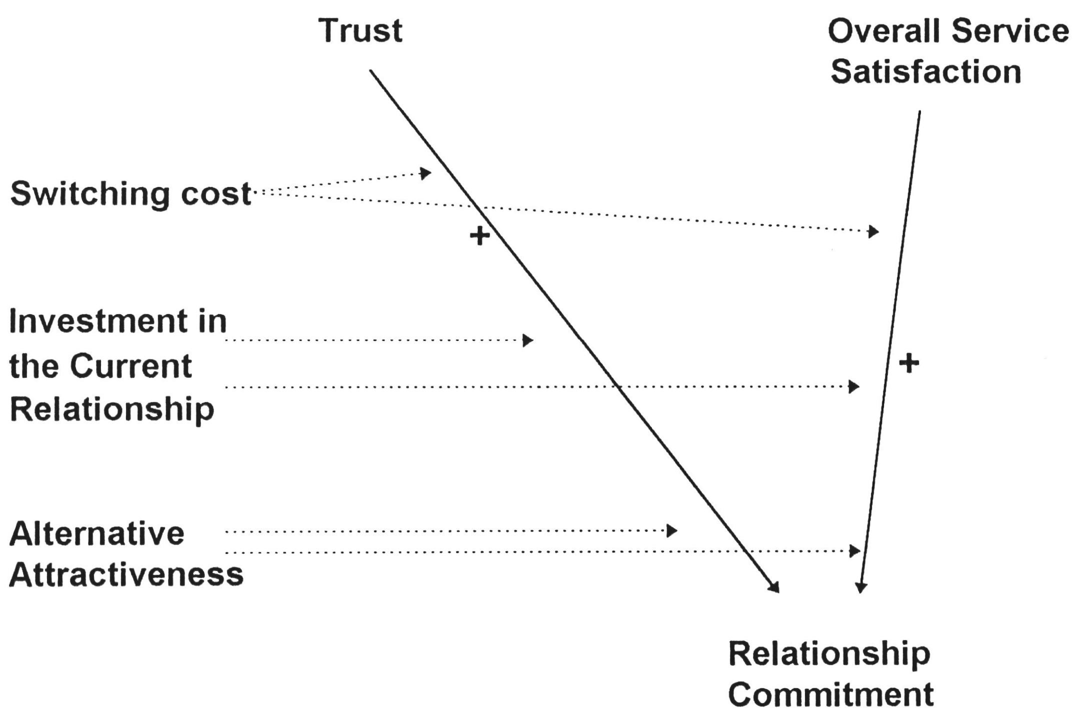
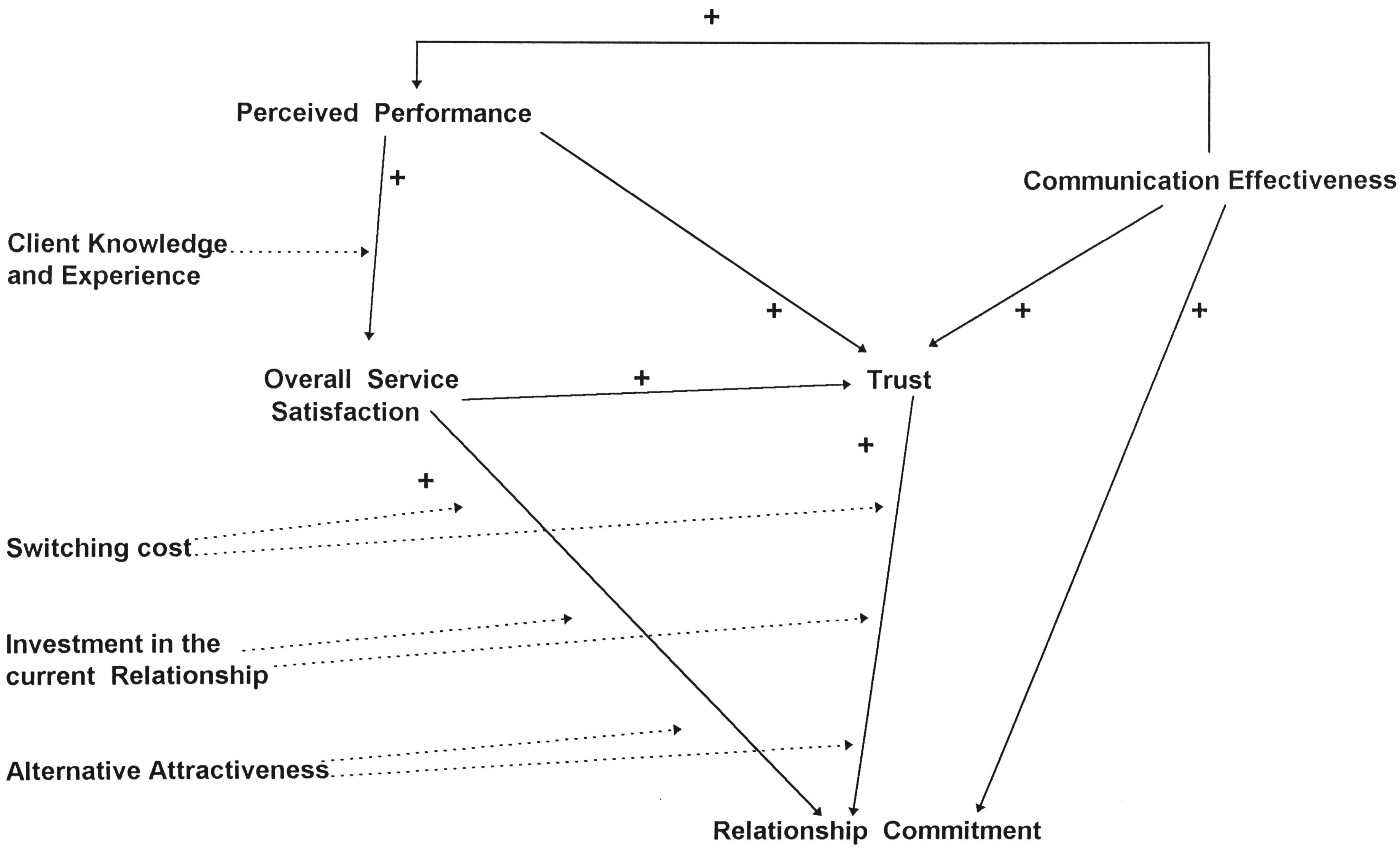


Figure 3 D Overall Combined Model for 3 A, 3 B and 3 C



far to examine their moderating influence on the development of relationship commitment. In the present study the focus is on examining under what conditions of switching cost, investment in the current relationship and alternative attractiveness, the various antecedents have a stronger/weaker impact on relationship commitment. The thrust of the present study is not to reinvestigate the direct effect of switching cost, investment in the current relationship and alternative attractiveness on relationship commitment but to put forward a model to examine whether the impact of the predictors of relationship commitment varies under varying conditions of these structural constraints of relationship. Figure 3 C shows the effect of moderating variables on relationship commitment.

Therefore, this paper extends the relationship marketing theory by adopting switching cost, investment and alternative attractiveness as moderating variables in assessing the impact of trust and satisfaction under their varying degrees. These have an impact on the association between trust and relationship commitment, and, overall service satisfaction and relationship commitment.

Communication effectiveness is shown as predictor of trust and perceived performance whereas perceived performance is shown as a predictor for both trust as well as overall service satisfaction. Figure 3 B shows the impact of overall service satisfaction and communication effectiveness on trust. The association between Overall service satisfaction and perceived performance is believed to be moderated by client knowledge and experience.

Figure 3 D shows the overall combined model of 3 A, 3 B and 3C. The next sections give definitions of the constructs contained in the conceptual framework.

3.1.3 Relationship Commitment

Commitment to an ongoing relationship is the ultimate dependent variable in this study. Relationship commitment is conceptualized as a client believing that an ongoing relationship with his/her adviser is worth investing in to ensure that it endures indefinitely. This definition is adopted from Moorman, Zaltman and Deshpande (1992, p.316). Three main aspects in relationship commitment are identified:

- Client places value on the bond between himself and his financial adviser.
- Client wants to endure it indefinitely.
- Client is ready to put maximum efforts at maintaining it.

In a situation when a client perceives that the service he has been receiving from his adviser is difficult to find elsewhere, he will appreciate his relationship and will be willing to maintain it. A client perceives that his adviser has an excellent understanding of his specific goals and has created a friendly and comfortable relationship.

The social sciences have recognized that commitment is a basic requirement to build and maintain stable, long-term relationships (Thibaut and Kelley 1959; Scanzoni 1979). More recently, the marketing channels literature has also emphasised the critical importance of commitment among channel members for future channel survival (e.g., Anderson and Narus 1990; Anderson and Weitz 1992; Dwyer, Schurr and Oh 1987; Heide and John 1990; Morgan and Hunt 1994). Morgan and Hunt (1994) suggested that commitment encourages marketers to resist attractive short term alternatives in favour of the expected long-term benefits of staying with existing partners. Dwyer, Schurr and Oh (1987) asserted that commitment refers to the implicit or explicit pledge of relational continuity between partners.

The wide spread recognition that commitment is central to successful relationship marketing triggered a considerable amount of research on the factors that contribute to increasing commitment to relationship (Morgan and Hunt 1994; Moorman, Zaltman and Deshpande 1993; Gundlach, Achrol and Mentzer 1995).

Trust has been recognised as playing an important role in affecting commitment (Morgan and Hunt 1994).

Commitment, in this study, measures the degree to which clients feel strongly attached to their adviser, intend to put their maximum efforts to continue their relationship with current advisers, are loyal to their relationships and do not seek alternative relationships. This conceptualization is in accordance with Morgan and Hunt (1994); Anderson and Weitz (1992) and Moorman, Zaltman and Deshpande (1992).

Trust, overall service satisfaction and communication effectiveness are directly linked to relationship commitment.

3.1.4 Trust

Trust is often defined as a feeling or belief on the part of a buyer that a seller will fulfill the promises made during an exchange transaction (Schurr and Ozanne 1985). Parvatiyar and Sheth (1994) have shortlisted a trusting relationship as one of the elements desired by most marketing actors.

Trust is an important construct in most models of long term relationships (Morgan and Hunt 1994; Moorman, Zaltman and Deshpande 1992). Schurr and Ozanne (1985) state that a relationship built on a buyer's feeling of trust in a salesperson enables the salesperson to better meet the needs of the buyer and it is one of the most fundamental steps in establishing a long term relationship between them. Dwyer, Schurr and Oh (1987) imply that trust is the single most important factor in the buyer-seller relationship. The importance of the development of trust in an adviser influences not only the adviser's ability to successfully go through the interaction but also the development of client commitment towards him.

Trust is conceptualized as existing when a client has confidence in his adviser and has reliance on the adviser. Trust acts as a key factor for the development of relationship commitment. Trust enables a client to stay in a relationship with his adviser. The definition of trust in this study has been adopted from Moorman, Zaltman and Deshpande (1993), Morgan and Hunt (1994) and Rotter (1967). Like relationship commitment, trust has also been studied widely in the social exchange literature (Fox 1974; Scanzoni 1979). In services marketing, Berry and Parasuraman (1991) state that "Customer company relationships require trust." Morgan and Hunt (1994) theorised that trust is central to all relational exchanges.

Anderson and Narus (1990) focus on the perceived outcomes of trust in business-to-business marketing and they define it as a firm's belief that another company's actions will result in positive outcomes for the firm. Further they say that the firm believes that the other company will not take unexpected actions that result in negative outcomes. Therefore trust is taken as an important construct in the conceptual model and is shown as a predictor of relationship commitment.

3.1.5 Overall Service Satisfaction

Satisfaction is the postpurchase evaluation of service following multiple service encounters (Bitner 1990). It is closely related to a customer's general attitude toward the service. Oliver (1997) defines satisfaction as the consumer's fulfillment response. Further he states that satisfaction is a judgement that a product or service feature, or the product or service itself provided a pleasurable level of consumption related fulfillment.

Overall service satisfaction, in this study refers to satisfaction experienced by a client during the process of receiving service from his adviser. Thus in line with Oliver (1997), overall service satisfaction is related to a consumption experience of a client who is using service of a financial planner.

The literature is rich with the research on satisfaction. Cronin and Taylor (1992), and Patterson (1994) state that consumer satisfaction has a significant impact on repurchase intention in services. Crosby, Evans and Cowles (1990) also suggest that future sales opportunities depend mostly on trust and satisfaction in personal service selling. Day, Denton and Hickner (1988) expressed that client satisfaction is unquestionably the key determinant in retaining current clients in professional services. It is posited here that overall service satisfaction plays an important role in retaining clients with current adviser thereby developing client commitment. Thus overall service satisfaction is shown as a predictor of relationship commitment in figure 3 D.

3.1.6 Communication Effectiveness

Communication effectiveness is defined as the formal as well as informal sharing of meaningful and timely information between the client and his adviser. This definition has been adopted from Anderson and Narus (1990) and Morgan and Hunt (1994). The purpose of communication effectiveness is to keep clients informed about their investments in a language that they can understand.

Effective communication helps the clients know the latest developments in their funds and resolves problems and misconceptions. By contacting clients on a frequent basis, answering their questions and providing them with a regular follow up of investments, helps to develop greater trust in the adviser and also gives an idea of performance in terms of getting returns on investments. Morgan and Hunt (1994) suggested that easy flow of communication is an important characteristic of a strong relationship because it develops trust in the partner. Moorman, Zaltman and Deshpande (1993) state that timely communication fosters trust by assisting in resolving disputes and aligning perceptions and expectations.

Benson (1994) noted that a personal financial planning service is a blend of technical knowledge and communicative ability. Strong communication skills are needed to ensure that clients understand investments and it helps them through the inevitable ups and downs. Bland (1997) notes that poor communication skills of financial advisers accounted for 23 percent of customer complaints in 1996. Therefore communication effectiveness is believed to be a strong variable in developing client commitment toward his adviser.

Thus communication effectiveness is shown as a predictor of trust, relationship commitment and perceived performance in the conceptual model.

3.1.7 Perceived Performance

Perceived performance is the subjective evaluation of the product/service performance following the consumption experience (Churchill and Surprenant 1982) . Performance is known to be a direct antecedent of satisfaction processes (Churchill and Surprenant 1982; Cronin and Taylor 1992 and Tse and Wilton 1988).

Perceived performance is conceptualized in this study to be composed of two dimensions. First, it is the ability of the adviser in providing the best possible return on the investments (what is delivered) of a client and second, it is the ability to exhibit relational behaviour (how it is delivered) (Grönroos 1990) during the course of creation and delivery of a service. Both 'what' and 'how' are considered to be important components of performance in the conceptual framework. The 'what' part of performance is assessed in terms of the return on invested funds, security of funds and achievement of financial goals. On the other hand, the 'how' part of performance is assessed in terms of relationship skills of the adviser. The measure of performance in this research will be composed by two subsets of measures of technical performance and relational performance. At the data analysis stage, an exploratory factor analysis will be performed to ascertain that these components of performance are different.

When a client feels that he has benefited by his adviser's advice by getting a good return on investments, he has achieved his financial goals, the adviser has given a prompt service and has explained all his queries, he is satisfied with the service of his adviser. Thus it is thought that both technical and relational components of performance lead to satisfaction.

Patterson (1993); Fornell (1992) and Tse and Wilton (1988) also found a strong relationship between performance and satisfaction. Thus perceived performance has been shown as a predictor of satisfaction in the conceptual model.

3.1.8 Moderator Variables: Switching Cost, Investment in the current Relationship, Alternative Attractiveness and Client Knowledge and Experience

The conceptual model shows four moderator variables of relationship commitment: switching cost, investment in the current relationship, alternative attractiveness and client knowledge and experience.

The first three moderators (switching cost, investment in the current relationship and alternative attractivenes) are hypothesised as the moderators for the impact of trust and overall service satisfaction on relationship commitment.

Client knowledge and experience is included as the moderator variable for the impact of perceived performance on overall service satisfaction.

Jackson (1985) conceptualised switching cost as the cost and pain of changing supplier relationships. Because the customers invest money to purchase equipment, adapt their business procedures and train their people to develop relationships with suppliers, they are likely to be reluctant to switch to new suppliers. In this way, Jackson (1985) noted that the past investment made for developing the business relationship is considered as the switching cost of beginning a new business relationship.

However, Ping (1993) observed in the context of a wholesaler-retailer relationship that switching cost, investment in the relationship and alternative attractiveness are three distinct constructs that act as exit barriers. Switching cost in this study was conceptualised as the cost incurred to dissolve the present relationship and identify an alternative. In this way, the additional cost in terms of effort, time and money that is required when the present relationship ends and a new relationship begins is observed as the switching cost. On the other hand, investment in the relationship was viewed by Ping (1993) as the money, time and effort that has already been put into building and maintaining the present relationship. Thus, Jackson's(1985) definition of switching cost combines the *switching cost* and the *investment* variables of Ping (1993).

This study adopts Ping's (1993) approach to define the constructs of switching cost and investment in the relationship in the context of consumer financial services. According to this view, *switching cost* and *investment in the current relationship* are considered as two separate constructs and they are measured by adapting the scales of Ping (1993). Further, Appendix D shows the results of the exploratory factor analysis of all the items of the scales used for this study. It can be noted that the items in the scales of switching cost (SWCT1..SWCT5) and investment in the relationship (INRL1..INRL3) loaded on separate factors that shows that these scales are different.

It is recognised that investment in the relationship also represents a kind of switching cost that is incurred when a client dissolves the current relationship and develops an alternative relationship. In fact, these two variables can be said to form two separate components of the term switching cost. However, for the purpose of this study, *switching cost* and *investment in the current relationship* are conceptualised and operationalised as separate constructs (adopting Ping, 1993). Therefore, the moderating effect of switching cost and investment in the current relationship on the association between relationship commitment and its direct antecedents-trust and overall service satisfaction will be tested by formulating separate hypotheses.

3.1.9 Switching Cost

Switching cost is conceptualized as the perception of the magnitude of the additional costs required to terminate the current relationship and secure an alternative (Williamson 1975, 1981; Ping 1993; Porter 1980 and Jackson 1985). Switching cost has been observed by many authors as directly contributing to retaining a relationship (Morgan and Hunt 1994). Morgan and Hunt (1994) observed the effect of economic switching cost on commitment towards the current supplier in channel relationships. However switching cost may be of a non economic nature too. In this study, switching cost is conceptualized along the following dimensions:

(a) Search cost: Search cost (Thibaut and Kelley 1959) is the time, energy and money required to identify a new supplier source (adviser in this case). Due to the inherent complex and credence nature of these services, selection of an adviser is a difficult process that involves considerable time and thought (Bland 1997). Thibaut and Kelley (1959) contend that search costs contribute to the continuance of a relationship.

(b) Risk: Personal financial planning services are experiential in nature (Hatfeld 1994). They cannot be tried without actually purchasing them. A client faces a risk in switching to an alternate supplier because he cannot evaluate the service before using the service of a new adviser (Sharma et al. 1997). The customer's perceived risk arises from

uncertainty about outcome and uncertainty about the consequences of making a mistake (Meidan 1996).

(c) Loss of confidentiality: Clients in financial planning services prefer to deal with one adviser because they feel that the critical information regarding income, savings and marital issues has to be kept confidential (Hatfeld 1994).

(d) Cost of psychological, emotional and physical stress on dissolution:
Termination of a close relationship may cause enormous psychological, emotional and physical stress (Bloom, Asher and White 1978). This consideration motivates a client to stay in the relationship (Sharma et al. 1997). Morgan and Hunt (1994) argue that avoiding psychological and emotional stress can also lead to continuing relationships as this is regarded as a switching cost.

(e) Economic switching cost: Bearing monetary loss due to financial penalty of breaking the current clientele and incremental costs to start a new relationship.

In personal financial planning services, clients normally stay in their relationship with advisers because exiting from the current relationship means a financial penalty (client interviews). In many cases it is substantial thus clients do not want to bear a monetary loss.

When clients make a decision to terminate their relationship and start a new one, they have to incur additional costs to start it. Additional costs to identify a new adviser, explain intimate details of income and family to him, investing time and energy to develop a relationship with a new adviser and payment of an upfront fees etc. can be a substantial cost. This cost acts as an exit barrier within the current relationship.

Dwyer, Schurr and Oh (1987); Williamson (1975, 1981) and Porter (1980) conceptualize switching cost as an impediment or obstacle for breaking a current relationship. In line with these studies, switching cost is shown as a moderating variable in the conceptual model. It is believed that it impacts upon the strength of the link between relationship commitment and trust, and relationship commitment and overall service satisfaction. In other words the strength of the association between relationship commitment and trust, and relationship commitment and overall service satisfaction are believed to vary with the magnitude of switching cost.

3.1.10 Investment in the current Relationship

Investment in the current relationship is conceptualized as the costs a client incurs to build and maintain the relationship with his current adviser. This definition was adopted from Ping (1993) wherein he conceptualizes investment in the relationship as involving all sunk economic and opportunity costs such as, money, time, and effort that are incurred by a retailer in developing the current relationship with a wholesaler. Ping (1993) observed that investment in the relationship makes a retailer stay in the current relationship by acting as an exit barrier. Wilson and Mumalaneni (1989) state that investments in time and effort to maintain a business-to-business relationship are correlated with commitment to the relationship.

In order to receive service from a financial adviser, a client has to make a substantial investment. He has to pay a consultation fee. Some financial services firms charge upfront fees for advice. Thus a client has to make some monetary investment in order to start a relationship. Further, a client has to spend time with an adviser to explain his situation. He has to reveal a lot about his personal issues and preferences. This also requires a considerable effort. Schneider and Bowen (1995) assert that in services industries such as banks and insurance companies, service providers must assess the total inputs (investments) of their customers e.g., time and money to the relationship. All these investments act as an obstacle in terminating the present relationship and moderate the strength of the association between relationship commitment and its direct predictors, trust and overall service satisfaction.

3.1.11 Alternative Attractiveness

Alternative Attractiveness is conceptualized as the client's estimate of the satisfaction available in an alternative relationship. This definition was adopted from Rusbult (1980) and Ping (1993). Low alternative attractiveness is suggested to be a favourable situation to keep clients (Ping 1993). Clients in financial services may decide to terminate the current relationship and engage a new adviser if they find this attractive due to the availability of better service, close proximity, and the availability of a full range of services etc.

A higher alternative attractiveness is believed to motivate a client to exit from his current relationship by weakening the association between relationship commitment and , overall service satisfaction and trust. Therefore, it is modeled as a moderating variable in the conceptual model.

3.1.12 Client Knowledge and Experience

This construct was conceptualized as the knowledge and past experience gained by a client about the various financial planning services and products. LaTour and Peat

(1979) examined the impact of consumer experience on satisfaction/dissatisfaction and stated:

"Prior experience is probably the most important determinant of consumer satisfaction because personal experience is most vivid and salient" (p.588)

Woodruff, Cadott and Jenkins (1983) argued that consumer experience with an evoked set of brands is an important determinant of the customer satisfaction/dissatisfaction processes.

Prior customer experience in goods marketing has been reported to take two forms - one form derives from experience with, and knowledge of the brand which has been used. The second form consists of experience that has been accumulated in the past by using a number of brands in a product category, other than the focal brand (Patterson and Johnson 1995).

The term 'client knowledge and experience' represents the second type of experience. It implies knowledge and experience in using a range of investment products that assists a client to form standards. These standards indicate how a particular adviser in financial planning should perform.

Patterson (1996) proposed that consumer knowledge and experience is a moderator variable in the process of the formation of satisfaction/dissatisfaction. It implies that the strength of linkages preceding satisfaction depend upon the degree of consumer knowledge and past experience.

Clients who are experienced in investing and purchasing these services evaluate the technical aspects of the service with greater intensity because they possess better skills to understand the technical aspects of the service. They develop competence to understand and work out the return on their investment.

The clients with no prior experience in these services do not possess any knowledge and skills and thus cannot judge the performance of the adviser in terms of his ability to guide them to invest in better options.

Patterson and Sharma (1997) state that the degree of client knowledge and experience influences the development of service satisfaction. The clients who are more knowledgeable and experienced try to consider the technical aspects of service for driving their satisfaction judgments. However, inexperienced clients cannot assess the technical aspects of service, therefore try to drive their satisfaction on the basis of assessing the functional aspects of performing the service.

Therefore client knowledge and experience is believed to influence the relationship between performance and service satisfaction. This is shown as a moderating variable in the conceptual model in Figure 3B.

3.1.13 Results of the Exploratory Research Phase

A number of authors have suggested, directly or indirectly, that the best way to learn whether the establishment of a relationship is possible or if a meaningful relationship exists is to ask the customer (Barnes 1994).

Numerous authors have emphasised the benefits of conducting qualitative research (Gay 1992; Zikmund 1997). The qualitative research phase of this study consisted of a series of one-on-one, in-depth interviews with twenty five clients of financial services firms. These clients were arbitrarily chosen. In each interview, the client was asked to discuss about his current relationship with his adviser. Appendix A presents some of the quotations extracted from the interviews. These interviews were helpful in formulating research hypotheses and conceptualizations of the study variables.

3.2 Research Hypotheses

The previous section provided an overview of the conceptual framework and a definition of the constructs included in this research. This section explores the specific relationships between those constructs. Furthermore, a number of research hypotheses will be developed. The first group of hypotheses address the effect of trust, overall service satisfaction and communication effectiveness on the dependent variable, relationship commitment. The second group of hypotheses address the effects of overall service satisfaction, communication effectiveness and perceived performance on trust.

Effect of perceived performance on overall service satisfaction is addressed in the third part of this series. Here the impact of communication effectiveness on performance is also examined.

It is recognised that the hypotheses in the first, second and third groups have been tested and well documented in the literature (Morgan and Hunt 1994; Crosby, Evans and Cowles 1990). However, they have not been tested in the context of a personal financial planning service. Besides this, the aim of this research is not to formulate and test these hypotheses. The thrust of this study is to investigate a mediator-moderator model of relationship commitment. The research aims to obtain the knowledge of the roles of trust, overall service satisfaction, communication effectiveness and perceived performance in developing relationship commitment by performing a causal path analysis. In order to accomplish this objective, it is necessary to perform a regression analysis involving the constructs of trust, overall service satisfaction, communication effectiveness and performance. Therefore the value of resetting and retesting the hypotheses in the groups-one, two and three lies in the investigation of the mediator-moderator model of relationship commitment in the context of a personal financial planning service.

The fourth group of hypotheses address the moderating influence of switching cost, investment in the current relationship and alternative attractiveness on the impact of trust and overall service satisfaction on relationship commitment.

The fifth group of hypotheses address the moderating influence of client knowledge and experience on the impact of perceived performance on overall service satisfaction.

3.2.1 Effects of Trust, Overall Service Satisfaction and Communication effectiveness on Relationship Commitment

The central factor in a relationship between the client and adviser is commitment (Sharma et al. 1997). The perceptions of commitment are related to trust, overall service satisfaction and communication effectiveness.

- **Effect of trust on relationship commitment**

In social psychology, the relationship between trust and relationship commitment has appeared in several research papers (Blau 1964; Rempel and Holmes 1986). Trust is so important to relational exchange that Speckman (1988) postulates it to be the cornerstone of the strategic partnership. Hrebiniak (1974) states that the relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships. Achrol (1991) and Morgan and Hunt (1994) posit that trust is a major determinant of commitment. In the business professional services area, Moorman, Zaltman and Deshpande (1992) found that trust of marketing research users in their research providers, significantly affected user commitment to the research relationship. However due to a lack of empirical investigation, an understanding of the association between trust and commitment in consumer professional services has not yet been adequately gained yet.

Ramsey and Sohi (1997) assert that customer's anticipation of future interaction (commitment) depends on the level of trust in the salesperson. Empirical support for the positive effect of trust on commitment in distribution channels is also provided in Anderson and Weitz (1989). In line with these studies, it is hypothesized that the higher the client's trust in the adviser, the more he will be motivated to continue the relationship with the adviser. Thus it is hypothesized:

Hypothesis 1:

The higher the level of trust in the financial planning adviser, the greater the relationship commitment.

- **Effect of Overall Service Satisfaction on Relationship commitment**

The concept of satisfaction occupies a central position in marketing thought and practice. The US Department of Agriculture's index of consumer satisfaction reported :

"There is but little doubt that maximization of customer satisfaction is considered by most to be the ultimate goal of the market economy." (Pfaff 1972)

Bearden and Teel (1983) reported that customer satisfaction is important to marketers because it generally determines repeat sales, positive word-of-mouth and customer loyalty. Initially, loyalty was simply viewed as repeat buying. However, as brand attitude becomes central to the repurchase decision in a relational exchange, brand loyalty has become increasingly similar to the concept of commitment. Assel (1987) defines brand loyalty as "Commitment to a certain brand." The degree of a consumer's loyalty to brands has always been of major importance in understanding consumer behaviour (Jacoby 1971; Jacoby and Chestnut 1978). There is evidence in the literature that customer satisfaction leads to customer loyalty (Jacoby 1971; Oliver 1980; Oliver 1997).

Morgan and Hunt (1994) see the concept of commitment as similar to loyalty. Qualitative interviews for this study supported this and indicated that overall service satisfaction is an important variable in determining client commitment toward his current adviser. Crosby, Evans and Cowles (1990) suggest that satisfaction in a personal selling situation significantly affects future sales opportunity. Therefore, the buyer-seller satisfactory exchange leads to the continuation of the relationship. Ramsey and Sohi (1997) also report that customer satisfaction positively impacts future sales interaction. If the clients are satisfied , they are likely to stay in the relationship. On the other hand, dissatisfied clients are more likely to discontinue their relationship. Day, Denton and Hickner (1988) also expressed that client satisfaction is the key determinant in retaining clients hence developing client commitment.

However, as Heskett, Sasser and Schlesinger (1997) indicate, customer satisfaction and loyalty do not always vary directly. Jones and Sasser (1995) state that 90 percent of satisfied customers had defected from the source in their study including automobiles, personal computers, hospitals, airlines, and local telephone services.

As is evident from these studies, mixed conclusions about the association between satisfaction and commitment are obtained. Thus there is a need to investigate how satisfaction affects commitment in a variety of situations.

Therefore, it is hypothesized that in consumer financial planning services:

Hypothesis 2:

The higher the overall service satisfaction, the greater the relationship commitment.

- **Effect of communication effectiveness on relationship commitment**

Communication effectiveness of an adviser is thought to strongly impact upon a client's degree of commitment. Hatfeld (1994) and Bland (1997) emphasise that communicative ability of the adviser is the central part of financial planning services. If an adviser informs clients timely about the services being delivered, explains them about the fluctuations in the invested funds, answers their questions satisfactorily, explains clearly the terms and conditions of insurance policies and related services and provides regular follow-ups of their portfolios etc., he is believed to develop ongoing relationships with his clients. However empirically this has not examined.

On the other hand, Bland (1997) reports that inadequate communication of financial planners results in losing clients. The direct association between communication and commitment has been observed in the distribution channel (Mohr et. al. 1996). In order to empirically investigate the association between communication effectiveness and relationship commitment in personal financial planning services, the following hypothesis is set.

Hypothesis 3: The higher the communication effectiveness of the adviser, the greater the relationship commitment.

3.2.2 Effects of Overall Service Satisfaction, Communication Effectiveness and Perceived Performance on Trust

- **Effect of overall service satisfaction on trust**

In an adviser-client relationship, initially the clients shows trust in their adviser because the nature of these services is highly credential (Client interviews). Clients are willing to show trust in their advisers and engage in patronage because they expect to receive a positive outcome from their adviser's service (Bland 1997). If the outcome is favorable, the clients start developing a higher degree of trust in the adviser. Their confidence in the advisers' capabilities and competencies multiplies having achieved satisfaction from the services delivered by the adviser. Thus a greater level of service satisfaction is thought to have a direct positive effect on trust. Crosby, Evans and Cowles (1990) assert that a customer is able to rely on the salesperson and has confidence in the salesperson's future performance when the level of past performance has been consistently satisfactory. Wonosoebekti (1995) reports that a satisfactory interaction with the service provider leads to the development of higher trust in the service provider in travel agency services.

However, Ramsey and Sohi (1997) reported a positive impact of trust on customer satisfaction. This leads to confusion for the understanding of the association between trust and service satisfaction. In this study, it is argued that a satisfactory outcome of service directly and positively impacts upon trust. If the client is satisfied with the service, he will develop a higher trust in the adviser. On the other hand, if a client is dissatisfied with the service they have received from their adviser, they would lose confidence in adviser's competence. Therefore, a strong, direct and positive association between overall service satisfaction and trust is hypothesized.

Therefore it is hypothesised that in consumer financial planning services:

Hypothesis 4:

The higher the overall service satisfaction, the greater the trust.

- **Effect of communication effectiveness on trust**

Moorman, Zaltman and Deshpande (1993) in marketing research of consultative services state that timely communication fosters trust by assisting in resolving disputes and aligning perceptions and expectations. Anderson and Weitz (1989) also found that communication is positively related to trust in distribution channels. The association between communication effectiveness and trust has not been examined in consumer professional services.

In personal financial planning services, communication effectiveness is more important in developing trust towards the adviser, as is indicated from the qualitative interviews. Morgan and Hunt (1994) found that frequent and high quality communication will result in greater trust in the exchange partner, while Anderson and

Narus (1990) found that from both a manufacturer's and distributor's perspective, past communication was positively related to trust.

Effective communication skills are thought to be instrumental to generate client trust. It is believed that timely and meaningful communication helps the clients know the latest developments in their funds and resolves problems and misconceptions. By contacting clients on a frequent basis, answering their questions satisfactorily and giving them a regular follow up on investments, helps the development of higher levels of trust in the relationship.

Effective communication also helps to gain information and understand customers' needs better and thus develops the customers' trust in the service provider (Ramsey and Sohi 1997). When clients feel that their adviser is communicating with them and working hard to fulfill their needs, they feel that the adviser is honestly interested in them and therefore they develop trust in the adviser.

On the other hand, lack of communication is detrimental to the development of trust in client-adviser relationship. As mentioned in Bland (1997), Annette Donselaar, manager of the Financial Planning Association's Complaints Resolution Scheme, expressed his deep concern about the serious impact of the poor communication skills of advisers on client-adviser relationships. It was noted that most complaints against advisers in the year 1996 were because of inaccurate and ambiguous explanations to clients that caused problems in continuing the relationships because clients became less trusting. Communication skills are the foundation for client relationships (Bland 1997) in the personal financial planning industry.

Therefore, a direct and positive association between communication effectiveness and trust is hypothesized.

Hypothesis 5:

The higher the communication effectiveness of the financial planning adviser, the greater the trust.

- **Effect of Perceived Performance on Trust**

Discussions with clients indicated that trust in the adviser is developed to a large extent through the benefits the clients earn from their investments. "I trust him. He is taking care of me and has helped me in getting good return on my investments" and "My adviser responds quickly and efficiently to my queries" are some of the quotes extracted from the qualitative interviews that pertain directly to the perceived performance construct. Crosby et al (1990) suggested that being reliable, a company can develop customer confidence in its capabilities.

The focus of personal financial services is to generate a favorable outcome for the client. Due to the divergent and complex nature of financial planning services, adviser and client have to interact a number of times so that the adviser can do the client's need assessment in an appropriate manner. Therefore the process of the delivery of the service as well as the outcome of the service (relational as well as technical performance) both are important in developing confidence in the adviser. A higher performance of the adviser strengthens the confidence of the client in their adviser. Thus perceived performance is hypothesized to be positively associated with trust.

Hypothesis 6:

The higher the perceived performance (relational as well as technical) of the financial adviser, the greater the trust.

3.2.3 Association between Communication Effectiveness, Perceived Performance and Overall Service Satisfaction

- **Effect of communication effectiveness on perceived performance**

The association between communication effectiveness and perceived performance is considered because sharing of meaningful information between a client and adviser develops higher perceptions of the adviser's performance. If advisers communicate effectively to clients, clients feel that they are being looked after, and their adviser will help them in achieving their financial goals. Timely communication, regular follow ups, explanation of investment portfolios provide the clients information about their investments and helps in educating the clients along the way (Bland 1997).

Therefore:

Hypothesis 7: The higher the communication effectiveness of the financial adviser, the greater the perceived performance.

- **Effect of Perceived Performance on Overall Service Satisfaction**

In the consumer satisfaction literature, Swan and Trawick (1980) found a strong relationship between perceived performance and satisfaction for durable goods. Tse and Wilton (1988); Oliver and Swan (1989) and Patterson (1993) have also found similar results. Cronin and Taylor (1992) and Fornell (1992) contend that service performance is directly related to satisfaction.

Perceived performance in the present study involves performance in technical aspects as well as relational aspects of the personal financial services. Technical aspects of the services include a high rate of return, achievement of financial goals and security of invested funds whereas relational aspects focus on the behavioral skills of the adviser e.g., friendliness, care and consideration of the client's situation, promptness to answer queries and paying attention to the special needs of the client. Both these aspects of performance are instrumental for driving client satisfaction. In a situation when the client feels that he has realised good return on investments, his funds are secure and the adviser has helped him in achieving his financial goals, he will be satisfied with the adviser. In driving satisfaction, the client will also assess the way service has been delivered to him. He will also judge the interpersonal skills of his adviser. Ramsey and Sohi (1997) report that customer satisfaction develops from fulfillment of the interpersonal needs of customers. If clients are unhappy with their interaction with the adviser, they will be dissatisfied with the overall service.

Heskett, Sasser and Schlesinger (1997) state that in a banking organisation, a successful customer-service supplier relationship is crucial for developing customer satisfaction. The success of the customer service supplier relationship lies in enhancing the knowledge of the needs of the customers therefore relational skills of the adviser are thought to be instrumental in determining client satisfaction in the consumer financial planning services. Further, Heskett, Sasser and Schlesinger (1997) report that at MBNA, senior executives are required to spend four hours/month in listening to customer calls. They interact with their customers in order to enhance their knowledge of customers' needs and establish a contact with the customers. AT&T Universal Card Services and Swedbank have developed customised efforts to improve the process of delivering services to their customers (Heskett et al. 1997) because of the criticality of relational skills in driving customer satisfaction.

Furthermore, this view was supported by qualitative interviews that perceived performance has a significant impact on overall service satisfaction in financial planning services. A client expressed his views as "I am pleased with the service. My adviser takes a keen interest in my circumstances and displays a caring nature."

This study identifies two components of perceived performance (technical performance and relational performance) and makes an attempt to investigate their impact on satisfaction individually. Anton (1996) states that in order to conclude which attribute of performance is the most important driver of customer satisfaction, it is important to perform regression analysis using various attributes of performance. The aim of this study is to highlight the role played by one component of perceived performance relative to the other in driving overall service satisfaction. Therefore both technical and relational performance components will be individually considered for regressing overall service satisfaction.

Thus it is hypothesised that:

Hypothesis 8:

The higher the perceived performance of the financial planning adviser, the greater the overall service satisfaction.

3.2.4 Moderating Effects of Switching Cost, Investment in the current Relationship and Alternative Attractiveness

- **Moderating effect of switching cost on Relationship Commitment**

Williamson (1975, 1981) discusses the transaction cost perspective that emphasizes minimization of transaction costs in interorganizational exchanges. He suggests that the incremental costs involved in changing suppliers creates an exit barrier within the current relationship.

Dwyer, Schurr and Oh (1987) propose that the buyer's anticipation of a high switching cost gives rise to the buyer's interest in maintaining a quality relationship. It implies that even though the antecedents of a quality relationship (e.g., benefits dry up and satisfaction diminishes) the partners try to continue the current relationship because switching to an alternative source involves significant costs. The partner's reluctance to spend money, time and effort in searching for a new source and starting up a new relationship motivates them to continue the current relationship even if the relationship satisfaction declines. Thus switching cost acts like a binding force between the otherwise weakly associated relationship elements (satisfaction and commitment).

Jackson (1985) asserts that the costs and pain of changing suppliers lead to the development of customer commitments. It implies that switching cost saves the relationship from dissolution. In other words switching cost influences the maintenance of the relationship in a situation where a buyer does not want to commit due to poor service by their supplier. Further, she describes that the most obvious types of switching costs are of time and money that customers must make to get used to new products, services and systems in a new relationship.

Finally, Porter (1980) states that in a troubled relationship, when satisfaction declines, switching cost becomes a barrier to exit. Exiting may require search, negotiation and monitoring costs in order to start a new relationship. Besides this in the personal financial planning industry, clients face a risk in changing advisers because they do not have a psychological assurance that the new adviser will certainly deliver a better service.

Jones and Sasser (1995) analysed the association between customer satisfaction and customer loyalty in a variety of situations and indicated that in an event of high switching costs, satisfied as well as dissatisfied customers displayed the same degree of loyalty toward the source of supply. These customers are termed as 'captive' and they are thought to exhibit false loyalty (Jones and Sasser 1995). Further, in these type of situations, it has been asserted that if a customer experiences a reduction in switching costs, he will immediately lose his loyalty and move to a new source. Thus it is argued that the presence of high switching costs interferes with the natural association between satisfaction and commitment.

During the exploratory research phase, a number of clients indicated that they did not want to terminate their relationship with their current adviser due to some switching cost even if the overall service satisfaction was not very high. As a client expressed, "At the moment I want to continue with my present adviser though I am not fully satisfied with his service. It is very difficult for a small investor to search for a new adviser due to the costs involved." There is often a financial penalty (economic barrier) associated with the withdrawal of funds within 1-2 years. In other words, high economic switching cost presents a barrier to exiting client-adviser relationships.

Hence the impact of the natural positive association between satisfaction and relationship commitment is altered due to presence of switching cost. When switching cost is low or non-existent, the relationship commitment develops independently due to the positive and natural association between these two constructs. In other words, under low or non-existent switching cost conditions, low service satisfaction drives low relationship commitment and, high service satisfaction drives high relationship commitment. When switching cost is high, the association between service satisfaction and commitment will still be positive, but the impact of this association will be different. Under high switching cost conditions, the impact of overall service satisfaction on relationship commitment will be different than under conditions of low switching cost.

Therefore, switching cost is believed to affect the association between overall service satisfaction and relationship commitment, and as a result, put a moderated effect of overall service satisfaction on commitment. Thus, it is argued that the impact of overall service satisfaction on client's commitment towards the financial adviser is different under varying degrees of switching cost.

Therefore the hypothesis:

Hypothesis 9:

The impact of overall service satisfaction on relationship commitment is different under varying degrees of switching cost.

- **Effect of investment in the current relationship on relationship commitment**

A client has to invest a great deal of time and effort in explaining his financial needs and personal situation to an adviser. He has to pay a fee to start his relationship with the adviser. He has to disclose details of his relationships with spouse and children. In discussing his financial goals and desirable objectives, a client must to some extent reveal his intimate family and personal details. Clients' investments in money, time, psychological energy and effort motivate them to stay in the relationship even if the level of satisfaction declines. Ping (1993) and Rusbult (1980) have indicated that the investment in the current relationship contributes to maintaining the relationship even when the relationship is troubled.

If investment in the relationship is low, the relationship exists because of high level of satisfaction and trustworthiness of the adviser thus, there is a strong and positive impact of overall service satisfaction on relationship commitment.

Under conditions of high investment in the current relationship, a client feels reluctant to terminate the current relationship even if service satisfaction diminishes thus the natural impact of satisfaction on relationship commitment is altered. High investment in the relationship moderates the impact of the naturally occurring association between service satisfaction and relationship commitment because the client will stay in the current relationship mainly due to his investment and not due to service satisfaction/dissatisfaction. Under this situation, the association between service satisfaction and relationship commitment would be the same as under low investment situation but due to the interference of high degree of investment, the impact of service satisfaction on relationship commitment will vary. In other words, the perception of a higher level of investment in the current relationship mitigates the influence of overall service satisfaction on commitment. If investment in current relationship is not substantial, the natural association between satisfaction and relationship commitment will independently drive commitment towards the financial adviser.

Therefore, it is hypothesised:

Hypothesis 10:

The impact of overall service satisfaction on relationship commitment is different under varying degrees of investment in the relationship.

- **Effect of Alternative attractiveness on relationship commitment**

As Jones and Sasser (1995) point out that in a situation of high competition (many alternative advisers), dissatisfied customers quickly change their service supplier. If low competition exists (no alternative or few alternatives), the dissatisfied customers stay in the relationship exhibiting a false loyalty.

During qualitative interviews, it was indicated that an attractive alternative may motivate a client to dissolve his current relationship. If a client experiences only a moderate level of overall service satisfaction, his intention to terminate the relationship and seek an alternative from that he believes will give more satisfaction, develops due to the easy availability of an alternative source of service. Thus the tendency to terminate a current relationship develops faster and quicker when an attractive alternative is present. As a client has expressed, "I think another adviser will charge less fees and give better performance. He will take care of my queries and return important calls."

Thus the motivation to stay in a moderately satisfactory relationship diminishes in the presence of a highly attractive alternative. In other words, the impact of the natural association between satisfaction and relationship commitment gets altered when alternative attractiveness is high or clients have plenty of alternative advisers available.

On the other hand, when alternative attractiveness is not high, clients have no viable options. They will continue with their current adviser even if overall service satisfaction has declined. Thus the association between overall service satisfaction and commitment will be moderated by the lack of alternatives.

Hypothesis 11:

The impact of overall satisfaction on relationship commitment is different under varying degrees of alternative attractiveness.

- **Effect of switching cost on the impact of trust on relationship commitment**

Switching cost is hypothesized to moderate the relationship between trust and relationship commitment.

In the beginning, a relationship starts due to a client's trust in the adviser's skills, competence and experience. During the course of receiving the service and evaluating the service outcome (e.g., financial return, security), trust may decline because of unsatisfactory service or poor communicative ability of the adviser. If the promised returns are not attained, clients may start questioning their trust in the competence of the adviser.

A client may consider terminating the current relationship but does not want to incur high switching cost even if they feel a lack of trust in the adviser. A lot of money could be lost in closing present options and starting alternative ones. In addition due to the risk factor, a client cannot ensure the reliability of a new adviser. In this situation, they compromise to continue the relationship even if they are not fully confident of the abilities of their current adviser. Therefore, the impact of declining trust, on relationship commitment gets mitigated, in the presence of high switching cost. Qualitative interviews also indicated that high switching cost mitigates the impact of trust on relationship commitment. As a client expressed, "I am happy where I am though not confident of my adviser's promises. I cannot waste time and money in starting a new adviser."

Hypothesis 12:

The impact of trust on relationship commitment is different under varying degrees of switching cost.

- **Effect of the investment in the current relationship on the impact of trust on relationship commitment**

A substantial investment in the current relationship is believed to interfere with the natural association between trust and relationship commitment. A higher level of investment in the relationship motivates clients to continue their current relationship even if the trust in the adviser is low. Considerable investments in terms of money, time and effort in the present relationship alters the impact of trust on relationship commitment. Investment becomes an obstacle for dissolution and builds up a client's resolve to a greater extent. Therefore the impact of the natural association between trust and commitment gets altered in the situation of substantial investments in the current relationship. The low level of trust will not be as effective in declining client commitment in high investment conditions as it would be under condition of low investment.

Therefore it is hypothesised that:

Hypothesis 13:

The impact of trust on relationship commitment is altered under varying conditions of investment in the relationship.

- **Effect of alternative attractiveness on the impact of trust on relationship commitment**

When alternative attractiveness is low, there is a strong, positive association between trust and relationship commitment. Thus a client's trust in their adviser contributes directly to relationship commitment.

But if alternative attractiveness is high, the association between trust and relationship commitment will still be the same but the impact of trust on commitment will be altered. The motivation to continue the current relationship diminishes if an alternative exists. Alternative attractiveness mitigates the effect of trust on commitment. As a result, dissolution occurs.

Hence it is argued here that when there is an availability of viable alternatives, clients may get motivated to change advisers even if the current relationship is a trusting one. In this way, high alternative attractiveness acts as a moderating variable and changes the impact of trust on relationship commitment.

Hypothesis 14:

The impact of trust on relationship commitment is altered under varying conditions of alternative attractiveness.

3.2.5 Moderating Effect of Client Knowledge and Experience on the impact of Perceived Performance on Overall Service Satisfaction

Consumer knowledge and experience is an important construct in understanding consumer behaviour (Rao and Monroe 1988; LaTour and Peat 1979). It has been observed that product related experience develops knowledge and confidence.

With services high in credence properties (such as medical services, legal service, accounting and financial planning) clients usually lack technical skills to assess the service outcome. This is especially so with new and inexperienced clients.

In business-to business services, Patterson and Johnson (1995) assert that product experience acts as a moderator in the customer satisfaction/dissatisfaction formation processes.

What is argued here is that the impact of perceived performance (technical as well as relational components of performance) on overall service satisfaction is contingent upon the degree of experience and knowledge possessed by clients. With more experience and knowledge, clients may analyse and confidently evaluate the adviser's financial recommendation and the adviser's performance (technical performance) regarding the outcome of investments. Therefore, the impact of the technical performance component on overall service satisfaction is affected due to the presence of high experience. Under this condition, the effect of performance on satisfaction will not be due to the independent presence of performance but due to the interaction of experience and performance. The experienced client will judge the adviser's performance on the basis of his knowledge and technical skills in financial planning services.

If he is inexperienced, he is unable to evaluate the adviser's technical performance. Thus the natural impact of performance on satisfaction (tested in numerous studies e.g., Cronin and Taylor 1992; Patterson 1993) is altered in a situation of high experience.

The qualitative interviews also suggested that the clients who developed greater knowledge about financial services and products, evaluate the adviser's technical performance to a greater extent and this has an impact on the overall service satisfaction experienced. A client expressed "We should acquire knowledge about finance and money matters. It can enable us to see what the adviser has been doing to our money." during his interview.

Therefore it is argued that under conditions of high client knowledge and experience, the technical component of performance will explain overall service satisfaction to a greater extent than relational component of performance. The experienced clients would worry about getting a fair return because they have knowledge of money matters and various forces and factors affecting the return on investments. They will be in a better position to form predictions about the growth of investments. They will try to assess the technical performance of the adviser to a much greater extent in developing a service satisfaction rating as compared to their inexperienced counterparts. As a result the effect of the technical component of performance will be stronger on overall service satisfaction for the high knowledge and experience group than that for the low knowledge and experience group.

Therefore, it is hypothesised:

Hypothesis 15:

Under conditions of high client knowledge and experience, the impact of perceived performance (technical) on overall service satisfaction will be stronger than under alternative conditions.

3.3 Summary

In this chapter, a conceptual model was developed to assess the relationships between relationship commitment and its direct predictors and moderators. From the model, a series of research hypotheses were also developed.

The next chapter will document the methodology used in this research as well as provide an operationalisation of the research variables.

Chapter 4

Research Methodology

The previous chapter developed various hypotheses to examine the association between relationship commitment, trust, overall service satisfaction, communication effectiveness and perceived performance. The hypotheses were also detailed to assess the moderating influence of switching cost, investment in the current relationship and alternative attractiveness on relationship commitment. The moderating influence of client knowledge and experience was also hypothesized.

This chapter explains the methodology used in this research. The method used for selecting a target population and the steps in the sampling process are explained. The development of a questionnaire is discussed with emphasis on the operational measures in the questionnaire. The pre-testing of the questionnaire, validity and reliability of the questionnaire, method of administration of the survey and the justification for using a mail survey is discussed.

Finally, four statistical techniques, regression analysis, path analysis, moderated regression analysis (MRA) and sub group analysis are explained in the methods of analysis. A discussion of the method of identifying moderating variables by using the MRA technique is also given.

4.1 Sampling Plan

The rationale for sampling design consists of resource constraints and accuracy (Duane and Cosenza 1985). Resource constraints are the all important factors of cost and time that are faced by a researcher. Well selected samples are less costly than a full census and can provide more reliable results. The use of probability samples makes it possible to estimate the sampling errors and produce accurate results. Not all individuals go to financial planners. It was necessary to get information from the individuals who were currently using the services of a financial adviser. In order to minimise the non response error, it was considered appropriate to reach the client through financial planning services firms. The financial planners can prompt their clients to fill out the questionnaire and mail it back. Due to the inconvenience in reaching clients directly, a probability sampling technique could not be adopted. Therefore, a non-probability convenience sample was selected for a cross sectional survey in this study.

4.1.1 Target Population and Sampling Frame

In order to be a valid respondent for this research, the respondent had to be a patron of a personal financial service firm at the time of the survey. The objective of this study is to investigate the various determinants of commitment towards a financial planner as perceived by a client. In order to fulfill the study objectives, the target population consisted of all the clients of personal financial planning service firms who were using those services at the time of the survey. A list containing the names, addresses and contact numbers of the personal financial service firms in Wollongong City was prepared from the Wollongong yellow pages. Financial planning professionals were contacted by telephone and the purpose of doing this study was explained. Two firms who had 900 individual clients at the time of the survey expressed their interest in participating in the study by giving their client names and addresses for the administration of the survey questionnaire. The sampling frame for this study was the lists of clients received from both financial planners. These lists contained names and addresses of 900 clients who were using the services of these firms at the time of survey. All 900 clients were included in the final sample, thus constituting a non probability, convenience sample. These 900 clients were considered enough to gather information about their relationships with the advisers.

4.2 Research Design

Churchill (1987) suggests three broad categories of marketing related research - exploratory research, descriptive research and causal research. Exploratory research is undertaken to gain insights and ideas and assists in condensing broad problems into specific issues. Descriptive research determines the association between variables. It is typically used to describe, estimate and predict. Causal research is used to determine cause and effect relationships. Both exploratory and descriptive types of research were used in this study. The use of exploratory research was appropriate to gain insights of the client-financial planner relationship and to develop research hypotheses. Descriptive research was used to test the hypotheses and confirm the conceptual model. During the exploratory phase, clients were randomly chosen from the white pages and asked whether they used this type of service. The respondents who told that they were patronising the financial planning service firms were asked to participate in one-on-one interviews in order to gain knowledge of the issues underlining their relationship with their financial adviser. Twenty five interviews were conducted to fulfill this objective. The exploratory phase also involved an extensive literature search on the issues related to relationship commitment, trust, satisfaction, communication effectiveness and other relevant factors.

The aim of the descriptive phase was to test the relationships developed through the previous exploratory phase. A highly structured questionnaire was developed for this cross sectional study. Cross sectional research allows old and new clients to be represented as well as clients with differing degrees of commitment. A longitudinal study design was not undertaken because of time and cost constraints.

4.3 Development of the Questionnaire

4.3.1 Exploratory Research Phase

The study commenced with the exploratory phase that included in-depth interviews with clients of personal financial service firms. The purpose of the exploratory research was to obtain a preliminary understanding of the various aspects of the client-adviser relationship because this can be helpful in formulating questionnaire items for the data collection phase. From the white pages people were arbitrarily selected and contacted by telephone to know whether they use the services of a financial planning services firm. Twenty five persons out of all who were contacted who had been using financial services at the time of study. These people were encouraged to take part in in-depth interviews. Fifteen persons were willing to take part in the interviews. For the qualitative interviews, a number of friends and colleagues who were using different types of financial services also participated. Thus a convenient sample of twenty five people was used to explore various issues in client-adviser relationships. The sample of respondents for the exploratory research phase consisted of professionals, housewives, white collar employees and tradespersons.

During the interviews clients were asked a number of questions about their relationship with their current adviser. The following are the main questions asked during in-depth interviews:

1. How long have you been using the services of your present financial service firm?
2. Are you committed to your financial adviser?
3. Why do you feel committed to your adviser?
4. Do you trust your adviser?
5. Are you satisfied with the service of your adviser?
6. Does your adviser effectively communicate with you?
7. Do you get regular updates and relevant information from your adviser?
8. How do you rate the performance of your adviser in terms of return on investment?
9. Does your adviser make an effort to understand your needs?
10. Are you experienced in purchasing financial services?
11. Would it be difficult for you to change your adviser?
12. What is your input/investment in the relationship you have with your adviser at present?
13. How do you compare the services of your present adviser with an alternative adviser?

The participants were encouraged to explain, in their own words their viewpoint of the current relationship with their adviser. The participants revealed in detail why they felt committed to their adviser. They gave various reasons for remaining in a relationship with their current adviser. Trust, service satisfaction, performance of the adviser and communication were expressed as the most important variables in developing and sustaining client-adviser relationships. Switching cost, investments in current relationship in terms of consultation fee, effort and time and alternatives were also indicated to be influential variables. The comments of clients were carefully noted to understand the links between variables important to this study. Appendix A presents quotations of clients extracted from qualitative interviews, which pertain directly to the various aspects of the relationship between a client and an adviser.

4.3.2 Questionnaire Design

Having determined the research objectives and methodology to be used, a research instrument was then designed. The cover page contained general instructions to assist in completing the questionnaire. A contact number was given in case of questions from respondents. A referral letter from the adviser was also attached to the questionnaire. This referral letter described the purpose of research. The respondents were guaranteed confidentiality and requested to complete the questionnaire.

The format of the questionnaire was also an important consideration. The design had to encourage participation from the respondents. Booklet form layout and a professional style were used to encourage response.

4.3.3 Method of Administration

A mail survey was used as the medium for data collection. A package containing the survey questionnaire, and the covering letter from the personal financial planners describing the purpose of research, and soliciting co-operation was mailed to 900 clients at their addresses according to the lists given by the financial planning firms. A postage paid envelope was also enclosed in each packet. 26 questionnaires did not reach the clients due to incorrect addresses making an effective sample size of 874. 201 questionnaires out of 874 delivered questionnaires were returned for a response rate of 23%.

4.3.4 Justification For Using a Mail Survey

The mail survey technique was adopted because more information could be obtained on personal opinions and attitudes at a lower cost (Emory 1985). A mail survey allows the collection of data from widely dispersed subjects, with respondents completing the questionnaire at their convenience. Since the anonymity of respondents is maintained, they should be able to express their opinions freely.

4.4 Development of Measures

This section discusses the measures of the constructs included in the theoretical framework presented in Figure 3. A brief overview of each construct is presented, along with the discussion of the items used to measure the construct. A copy of the questionnaire is given in Appendix B. Multi item scales were employed to measure most of the variables. Such scales are necessary to adequately and accurately capture the domain of the constructs (Churchill 1979; Nunnally 1978). This approach to measurement results in reduced measurement error, as well as increased reliability and validity of the measures (Churchill 1979 and Peter 1979). Most measures were either adopted or modified from previous published works, or developed from the qualitative interviews.

4.4.1 Relationship Commitment

Relationship Commitment, the key dependent variable in this study was defined in section 3.1.3 as a client believing that an ongoing relationship with his/her financial adviser is so important as to put maximum efforts to maintain it (Morgan and Hunt 1994). Given the conceptualisation of commitment, it is essential that its measure should capture both the importance of the relationship to respondents and their beliefs about working to maintain the relationship. The measure of commitment was developed by a combination and modification of the commitment scales of Morgan and Hunt (1994) and Anderson and Weitz (1992), using a five point Likert scale ranging from strongly disagree to strongly agree. Five items of question 4 (refer Appendix B) represent the measure of relationship commitment as perceived by the client. The first three items were modified from Morgan and Hunt (1994) and last two were modified from Anderson and Weitz (1992). The relationship commitment items addressed commitment to the relationship, intention to maintain the relationship, intention to put efforts into maintaining the relationship, sense of loyalty towards the adviser and the intention of seeking an alternative adviser.

4.4.2 Trust

Trust was defined in section 3.1.4 as a willingness to rely on the financial adviser in whom a client has confidence (Moorman, Zaltman and Deshpande 1993). The conceptualisation of trust takes into consideration the importance of 'confidence' in and 'reliance' on the adviser. The scale for trust in this study was constructed by combining the scales of Crosby, Evans and Cowles (1990), Moorman, Zaltman and Deshpande (1992) and a new item developed from the qualitative interviews. Question 5 consisting of seven items represents the scale for trust. The first five items were modified from Crosby, Evans and Cowles (1990). These tap the tendency to display trust in an adviser in a personal financial planning services firm. The sixth item involving confidence in an adviser was developed through in-depth interviews with clients. The last item in the trust scale is borrowed from Moorman, Zaltman and Deshpande (1992).

4.4.3 Overall Service Satisfaction

Overall service satisfaction was defined in the section 3.1.5 as an emotional state that occurs in response to an evaluation of past experience with the financial adviser (Oliver and Swan 1989, and Westbrook 1981). Questions 6 and 7 represent the scale for overall service satisfaction used for this study. The items in questions 6 and 7 were taken from Oliver and Swan (1989), Romm, Patterson and Hill (1994), and, Westbrook and Oliver (1991). The measures of overall service satisfaction involved satisfaction with the decision to choose the present adviser, satisfaction with the services received from the adviser, contentment in receiving the services and "feel good about the decision in choosing this adviser" etc.

Questions 8 and 9 seek reasons for satisfaction/dissatisfaction. Question 8 was modified from Romm, Patterson and Hill (1994) and question 9 was added to obtain the clients' suggestions for improving the present level of service.

4.4.4 Perceived Performance

Perceived performance was conceptualised in this study as the client's evaluation of the adviser in terms of assisting in achieving financial goals. Due to the scarcity of research in the area of the personal financial services sector, an appropriate definition for this construct that taps all the aspects of perceived performance could not be found in the extant literature. In this study, performance was assessed across two dimensions. Performance of the adviser in terms of helping the client achieve the best return on monetary investments and in terms of providing a relational service (closeness, paying attention to client's personal situation and prompt service etc.) Both these aspects were considered important in keeping with responses received from the qualitative interviews. Since no appropriate scale was available, a new scale was developed to measure this construct in the study. The seven items of question 10 represent the measure for perceived performance. Items 1, 2, 3 and 4 address the performance of the adviser in terms of monetary outcome and security of investments. These items represent the technical dimension of perceived performance. The last three items are concerned with relational qualities of the adviser. They take into account the friendliness shown to a client during the process of the service, promptness, consideration of a client's personal circumstances etc.

4.4.5 Communication Effectiveness

Communication effectiveness was defined in section 3.1.6 as the formal, as well as informal, sharing of meaningful and timely information between the client and the adviser (Anderson and Narus 1990). The four items of question 11 represent the scale for measuring communication effectiveness in this study. The communication scale is a combination of existing and newly developed measures. The first and third items were modified from Anderson and Weitz (1992) while the second and fourth items were developed through qualitative interviews with clients. These items address the adviser's effort for keeping the client informed about his/her monetary investments, explanation of financial concepts in a comprehensive way, willingness to give as much information as the client desires and explanation of all the pros and cons of investment/insurance options.

4.4.6 Switching Cost

Switching cost was defined in section 3.1.9 as the perception of the magnitude of the additional cost required to terminate the current relationship and secure an alternative (Porter 1980). It was operationalised as the perceived magnitude of the additional cost and effort required to change advisers. The domain of switching cost encompasses monetary expenses to terminate the current relationship and the psychological costs in terms of risk in changing, grief and frustration on termination of the current relationship and loss of confidentiality about money matters. The five items of question 14 represent the scale to measure switching costs. Item 1, 4 and 5 are modified from Ping (1993) and items 2 and 3 were developed through qualitative interviews. These items involved spending time and money, overall cost, loss of confidentiality, frustration and risk in switching to a new adviser.

4.4.7 Investment in the Current Relationship

Investment in the relationship was defined in the section 3.1.10 as the costs the client incurs to build and maintain the relationship with an adviser (Ping 1993). It was operationalised as the perceived costs in terms of money, time and effort utilized in developing and maintaining the relationship with an adviser. The three items of question 16 represent the scale to measure investment in the relationship in this study. These items were modified from Ping (1993). The investment items dealt with overall relationship investment, uniqueness of investment, and the time, effort, and energy in building and maintaining the relationship.

4.4.8 Alternative Attractiveness

Alternative attractiveness was defined in section 3.1.11 as the client's estimate of the satisfaction available in an alternative relationship (Rusbult 1980). It was operationalised as the perception of less cost, availability of a full range of services, proximity of location and more overall service satisfaction available in an alternative relationship. The five items of question 15 represent the scale for measuring alternative attractiveness in this study. The first three items were developed through qualitative interviews with clients and financial planners and the last two are modified from Ping (1993).

4.4.9 Client Knowledge and Experience

Client knowledge and experience were defined in section 3.1.12 as the knowledge and experience gained by a client in purchasing financial services. It was operationalised as the knowledge of financial services and products, experience in dealing with an adviser, understanding the various aspects of these services etc. No scale existed to measure these issues. Therefore, a new scale was developed through interviews with clients and financial planners. The four items of question 17 represent the scale for measuring client knowledge and expertise in this study. These items involved client experience and knowledge of financial services and understanding the various aspects of financial services and the adviser's strategies.

4.4.10 Respondent's Profile

Questions 20, 21 and 22 were asked to obtain general information about the respondent. These questions involved age, sex and the respondent's occupation.

4.4.11 Length of the Current Relationship, Types of Services Used and Time of Last Review

Questions 1, 2 and 3 ascertained the time length of the current relationship, the types of services used and the date of the last review. The complete questionnaire is provided in Appendix B.

4.5 Pretesting the Questionnaire

In order to begin examining both the reliability and validity of the questionnaire, a pretest was administered. For the pretesting of the questionnaire, people were contacted using the white pages and asked whether they were using the services of a financial adviser. Twenty persons of those who were contacted were the clients of the personal financial planning service firms. They were motivated to participate in the pretest. The questionnaires were mailed to those persons. They were requested by telephone to complete and return the questionnaire within two weeks. These clients were debriefed about the questionnaire by phone. The questionnaires were also sent to both financial planners and two marketing academics experienced in relationship marketing to elicit their comments or opinions on the content and wording of the instrument and to assess questions for face validity. The pretest took approximately three weeks. The financial planners and academics did not make any negative comments on the content of the questionnaire. However, they suggested that the scale for alternative attractiveness should be changed from "Much more-much less" (Ping 1993) to "strongly disagree-strongly agree". The scale was modified accordingly.

4.6 Data Analysis Methods

Section 4.4 described how the major constructs were operationalised in this research. This section describes the details of the methods used to analyse the data collected. The statistical package for social sciences (SPSS) software was used extensively in the data analysis phase of this research.

4.6.1 Validity

A measuring instrument is valid if it does what it is intended to do (Nunnally 1978). Several types of validity were considered in this study. Content validity refers to the degree to which the scaled items represent the domain or universe of the concept under study. Construct validity (Churchill 1979) asserts that a measure is a valid measure of a construct, if it relates to other measures of this construct and to measures of other constructs in the expected manner. Construct validity has been suggested as a necessary condition for theory development and testing (Churchill 1979).

In order to satisfy the content and construct validity requirements in this study, an exhaustive search of the literature was conducted. Measures of the variables in the instrument were adopted from works in the literature to ascertain that the measures capture the domain of constructs suggested in earlier studies. For relationship commitment, the measures were adopted from Moorman, Zaltman and Deshpande (1992) and Morgan and Hunt (1994)). The measures of trust were taken from Moorman, Zaltman and Deshpande (1993) and Crosby, Evans and Cowles (1990). The measures of overall service satisfaction were adopted from Westbrook and Oliver (1991), Oliver and Swan (1989), and Romm, Patterson and Hill(1994) while the measures of communication effectiveness were adopted from Anderson and Narus (1990). The measures for switching cost, investment in the relationship and alternative attractiveness were adopted from Ping (1993). The measures for perceived performance and client knowledge and experience were formed after an extensive literature review and in depth interviews with financial planners and clients.

In the pretest, comments on the content and wording of the items were sought to establish face validity. Two measures of validity are required to ascertain construct validity - convergent validity and discriminant validity (Peter 1979). Convergent validity is a test of internal consistency, and measures the extent to which different or independent measures tend to converge and provide the same results. Discriminant validity, on the other hand, is a test to ensure that measures that are supposed to be measuring different constructs are in fact capturing different constructs. Convergent validity was tested by the Kerlinger method (Kerlinger 1973). This method calls for computation of the correlation between the total scores and the item scores based on the assumption that the total scores are valid. Therefore, the extent to which item scores correlate with the total score is indicative of convergent validity for the items (Kerlinger 1973). The items that correlate higher with total scores generally are better items (Nunnally 1978). Discriminant validity will be assessed by making use of factor analysis technique (Churchill 1979).

Further, Gaski (1984) suggests that if the correlation between one scale and another is not as high as the coefficient alpha of each scale, then discriminant validity is present.

Therefore, the results of the alpha coefficient and correlation coefficient were examined to assess the discriminant validity.

4.6.2 Reliability

Reliability concerns the precision of measurement (Nunnally 1978). It can be defined as the degree to which measures are free from error and yield consistent results (Peter 1979). In this study, reliability was examined making use of the Cronbach alpha coefficient (Churchill 1979; Cronbach 1951; Peter 1979). This technique computes the mean reliability coefficient estimate for each possible way of splitting a set of items in half (Duane and Cosenza 1985). The Cronbach alpha coefficient of reliability can range from 0 to 1.0 with 1.0 being a measure which is perfectly reliable and 0 being perfectly unreliable. There are no steadfast rules available for what constitutes a reliable measure. However, Nunnally (1978) recommended a minimum value in the development of behavioural measures of 0.5 to 0.6 for exploratory research and 0.7 for basic research.

4.6.3 Unidimensionality

Unidimensionality of each construct was assessed by separate principal components factor analysis with varimax rotation for each construct.

4.6.4 Regression Analysis

Regression analysis is a statistical technique to analyze the linear relationship between a dependent variable and one or more independent variables. Regression analysis gives both the strength and nature of a relationship between dependent and independent variables. The R^2 statistic (coefficient of determination) indicates the amount of variance in the dependent variable that is explained by the combined effects of the independent variables. The coefficient of determination can range from 0 to 1, with higher values suggesting greater explanatory power of the combined impact of the independent variables.

Regression analysis has assumptions of linearity, normality and equality of variance. Ignoring these assumptions can lead to results that are difficult to interpret and apply (Norusis 1993). To ensure that these assumptions are met, scatter plots between the predicted and residual values should be taken and examined to observe any systematic patterns. If the assumptions are met, the residuals would be randomly distributed in a band clustered around the horizontal line through 0. For normality assumption, a histogram of the residuals should be constructed. If this assumption is met, the distribution of residuals is found to be approximately normal.

Multiple regression analysis can produce invalid results when the independent variables are highly correlated, a condition known as multicollinearity. Thus, the intercorrelation among all independent variables needs to be assessed prior to developing any regression models. An analysis of the intercorrelations showed multicollinearity was not a problem.

4.6.5 Path Analysis

Path analysis uses regression and correlation techniques to study linear, additive and causal system of variables, in which the direction of causality is generated on the basis of theory (Pfaffenberger 1974). Path coefficients are partial regression coefficients that may be standardised or unstandardized. The square of the path coefficient is a measure of the fraction of variability in the dependent variable which is accounted for by the set of independent variables in a single equation model.

Given the potential existence of a set of direct and indirect relationships in the theoretical model of relationship commitment, path analysis was considered appropriate for investigating the impact of a number of specified antecedent variables on relationship commitment. A comparison of the relative magnitudes of the path coefficients within the model, helps assert that a change in one variable produces a specified change in another (Asher 1976). The indirect effects can be derived by multiplying the sequential beta coefficients along any given path (Simon-Blalock technique). The total effects can be calculated by summing up the direct and indirect effects of an independent variable.

4.6.6 Moderated Regression Analysis

Sharma, Durand and Gur-Arie (1981) contend that a moderator is a variable, when systematically varied, causes the relationship between two other variables (independent and dependent) to change. They classified moderator variables as of two types- quasi moderator and pure moderators. The following discussion illustrates the difference between quasi and pure moderators:

Consider the following relationship between x and y:

(1) $y = a + b_1*x$

Further, assume that the form of the relationship represented by equation (1) is a function of a third variable, z, expressed mathematically as

(2) $y = a + (b_1 + b_2*z)*x$

Equation (2) states that the slope of equation (1) is a function of another variable, z. Alternatively, for different values of z, equation (2) can be viewed as a family of relationships between y and x (i.e., z is moderating the form of relationship between y and x). Rewriting equation (2) in simplified form results in equation (3)

(3) $y = a + b_1x + b_2 xz$

In equation (3), z is not related to either the predictor or the criterion variable. Instead, it only interacts with the predictor variable to modify the form of the relationship between x and y. This type of moderator variable is termed as a pure moderator variable. By definition, a pure moderator variable is a moderator variable which enters into interaction with a predictor variable while having a negligible correlation with the criterion variable (Cohen and Cohen 1975).

A quasi moderator variable is different from a pure moderator variable. Not only can it interact with the predictor variable, but it also is a predictor variable itself. This can be illustrated by modifying equation (2) as

(4) $y = a + b_1x + b_2 x^* z + b_3 z$

so that z is related to criterion variable.

Equation (4) can be rewritten as

(5) $y = (a + b_3 z) + (b_1 + b_2z)^*x$

and can be viewed as a family of relationships between y and x for different values of z. Therefore, z is a moderator variable in this equation. Since, z is related to the criterion variable, the equation can also be rewritten as

(6) $y = (a + b_1x) + (b_3 + b_2x) * z$

Equation (6) can be viewed, therefore, as a family of relationships between y and z for different values of x (i.e., x moderating z). If the hypothesised moderator variable turns out to be related to the criterion variable, the moderator effect is not clear because each of the independent variables can, in turn, be interpreted as a moderator. Therefore, this type of moderator variable is called 'quasi' moderator.

4.6.7 Method for Identifying Moderator Variables

Moderated Regression Analysis (MRA) is a method of identifying moderator variables. To apply MRA in terms of a single predictor variable, three regression equations should be examined for equality of the regression coefficients (Zedeck 1971).

(7) $y = a + b_1 * x$

(8) $y = a + b_1 * x + b_2 * z$

(9) $y = a + b_1 * x + b_2 * z + b_3 * x * z$

If equations (8) and (9) are not significantly different (i.e., $b_3 = 0$, $b_2 \neq 0$), z is not a moderator variable but is an independent predictor variable. For z to be a pure moderator variable, equations (7) and (8) should not be different but should be different from equation (9) (i.e., $b_2 = 0$, $b_3 \neq 0$). For z to be classified as a quasi moderator, equations (7), (8), and (9) should all be different (i.e., $b_2 \neq 0$, $b_3 \neq 0$).

In order to identify a moderator variable, it is necessary to determine whether a significant interaction is present between the hypothesised moderator variable, z, and the predictor variable x, by the MRA procedure (by seeing if equations (8) and (9) are different, i.e., $b_3 \neq 0$). Next, if a significant interaction is found, then the relationship of z to the criterion variable is determined (by seeing if equations (7) and (8) are different, i.e., if $b_2 \neq 0$). If there is a relationship, ($b_3 \neq 0$ and $b_2 \neq 0$), z is a quasi moderator variable. If not ($b_3 \neq 0$, and $b_2 = 0$), z is a pure moderator variable.

4.6.8 Subgroup Analysis

Sharma, Durand and Gur-Arie (1981) describe subgroup analysis as a method for identifying moderator variables. By this approach, the sample is split into subgroups on the basis of a third variable, the hypothesised moderator. After the subgrouping of respondents, regression analysis typically is used to investigate the relationship between the predictor variable and the criterion variable for each subgroup.

The equality between regression equations of subgroups is tested by using the Chow(1960) test. In those instances in which the regression coefficients differ across subgroups, the variable is assumed to be a moderator variable.

The Chow test (1960) formula is

$$F = \frac{\text{RSS (W) - RSS (H) - RSS (L) /V}}{\text{RSS (H) + RSS(L) / n1 + n2 - V}}$$

Where RSS = residual sum of squares from regression output

W = whole model

H = high group

L= low group

V = number of independent variables in the equation

n1 = number of cases in group 1

n2 = number of cases in group 2

To test whether the betas are different, an unpaired t-test is used, using the betas and their associated standard errors as input:

$$t = (b1 - b2) / (s1 + s2/2)$$

The t value obtained can be checked for p value from T tables. Kohli (1989); Hirschman, Blumenfield and Tabor (1977); Miller and Ginter (1979) and Patterson and Sharma (1997) etc. have used this method to analyse moderator variables in their studies.

4.6.9 Test of Mediator effect of Trust

A significant aspect of this study is to find out whether trust is a mediator for the impact of overall service satisfaction and communication effectiveness on relationship commitment (refer section 1.4). According to Baron and Kenny (1986), to test for mediation, one should analyse the three regression equations:

(1) Regressing the mediator on the independent variable;

(2) regressing the dependent variable on the independent variable; and

(3) regressing the dependent variable on both the independent variable and the mediator.

Baron and Kenny (1986) assert that the regression coefficients should be estimated separately. Further, to establish mediation, the independent variable must affect the mediator in the first equation; second, the independent variable must affect the dependent variable in the second equation; and third, the mediator must affect the dependent variable in the third equation. If all these conditions are met, the effect of independent variable in the third equation must be less than in the second equation. For perfect mediation, the independent variable should have no effect on the dependent variable in the third equation.

4.7 Summary

This chapter gave a detailed explanation of the research design and methodology adopted in this study, along with the justification for using the statistical techniques for analysis of the data.

Chapter five represents the analysis of data collected in this research. This includes an assessment of reliability and validity of the measures used to capture the constructs, and testing of hypotheses developed in chapter three. The path analysis is presented to assess the relative impact of independent variables on the ultimate dependent variable, relationship commitment. Finally the moderator variables are identified and classified as pure or quasi moderators and their moderating influence on the relationship between independent variables and relationship commitment is discussed. Test of Mediation is also performed to establish trust as a mediator for the impact of overall service satisfaction and communication effectiveness on relationship commitment.

Chapter 5

Data Analysis

The previous chapter explained the research methodology, operationalisation of research variables, and the data analysis methods used in this study. The purpose of this chapter is to present the analysis of the data collected.

This chapter contains seven sections. The first section presents descriptive statistics associated with the research sample. The second section presents the descriptive statistics associated with the research variables while the third section gives a description of measures. Validity, reliability and unidimensionality of research measures is reviewed in the fourth section. Section five presents the tests of hypotheses regarding the effects of direct and indirect antecedents of relationship commitment. Path analysis is presented in section six. Finally, section seven discusses the results of moderated regression analysis and subgroup analysis.

5.1 Sample Characteristics

For the research setting, all the clients whose names and addresses were given in the client lists of the two participating financial service firms were used as sample respondents. Questionnaires were mailed to 900 clients. 26 questionnaires could not be forwarded to clients due to errors in addresses. Effectively, the sample size was 874. There were 201 completed questionnaires returned within three weeks giving a response rate of 23%. This sampling process succeeded in providing respondents who varied greatly on personal characteristics. Respondents varied widely in age, occupation and time length of the relationship with their current adviser. Before further analysis, the financial advisers were contacted and the results of the survey were discussed to ascertain that the profile of the respondents was typical of their clients. Both financial advisers confirmed that the respondents' profile was representative of the clients in both financial service firms. The description of the sample is presented in Table 5.1.

Table 5.1 Sample Characteristics

(a) Age of respondents

Age	Percentage of total sample
20-30 years	18.7
31-40 years	39.4
41-50 years	23.7
51-60 years	13.6
60+ years	4.6

(b) Occupation of respondents

Occupation	frequency
Self employed	31
Professional	61
House wife	11
Retired	13
Technical person	31
White collar employee	42
Student	2
Missing	10
	201

(c) Time length of relationship

Time length of relationship	Frequency	Percentage	Cum. percent
< 6 months	21	10.4	10.4
6 months - 1 year	15	7.5	17.9
1-2 year	41	20.4	38.3
2-3 year	30	14.9	53.2
3-4 year	22	10.9	64.1
4-5 year	17	8.5	72.6
5-6 year	9	4.5	77.1
6-7 year	17	8.5	85.6
7-8 year	12	5.9	91.5
8-9 year	6	3.0	94.5
9-10 year	6	3.0	97.5
10-11 year	1	0.5	98.0
13-14 year	1	0.5	98.5
14-15 year	1	0.5	99.0
missing	2	1.0	100.0

(d) Sex of respondents

Sex	Percentage of total sample
Males	66.9
Females	33.1

5.2 Description of Research Variables

The description of research variables is presented in Appendix C.

5.3 Descriptive Statistics Associated With the Research Variables

To gain a more complete picture of the research variables, this section presents a detailed description of the research variables and their descriptive statistics. This is presented in Table 5.2. Table 5.3 presents the labels of the research variables and the associated constructs. The composite mean is the mean of a 5 point likert scale with 1 indicating low and 5 indicating high degree of agreement.

TABLE 5.2 Descriptive Statistics Associated With Research Variables

LABEL	DESCRIPTION	COMPOSITE MEAN	STD. DEVIATION
COMIT	mean of COMM1, COMM2, COMM3, COMM4 and COMM5	3.49	0.70
TRUST	mean of TRST1, TRST2, TRST3, TRST4, TRST5, TRST6 and TRST7	3.98	0.62
SATIS	mean of SAT1, SAT2, SAT3, SAT4, SAT5, SAT6 and SAT7	3.93	0.70
COMMUN	mean of COMMU1, COMMU2, COMMU3 and COMMU4	3.81	0.73
PERF	mean of PERF1, PERF2, PERF3, PERF4, PERF5, PERF6 and PERF7	3.84	0.61
CLKNOW	mean of CKNOW1, CKNOW2, CKNOW3 and CKNOW4	3.00	0.76
SWCT	mean of SWCT1, SWCT2, SWCT3, SWCT4 and SWCT5	3.32	0.69
ALTATT	mean of ALTATT1, ALTATT2, ALTATT3, ALTATT4 and ALTATT5	2.69	0.54
INRL	mean of INRL1, INRL2 and INRL3	3.14	0.79

Table 5.3 Research Variables and Associated Constructs

COMIT	Relationship Commitment
TRUST	Trust
SATIS	Overall service satisfaction
PERF	Perceived performance
COMMUN	Communication effectiveness
SWCT	Switching cost
INRL	Investment in the relationship
ALTATT	Alternative attractiveness
CLKNOW	Client knowledge and experience

5.4 Validity, Reliability and Unidimensionality of Measures

This section presents the assessment of validity and reliability of the measures of the research variables. According to Churchill (1987), validity refers to the accuracy or correctness of measures. It is a method to establish whether or not a measure accurately captures the characteristic of interest, i.e., the construct being measured. In this study, validity was assessed from two angles - content validity and construct validity. The methods to assess both the types of validity are discussed in a previous chapter. Content validity was assessed by undertaking an extensive literature review and adopting definitions for constructs from earlier empirical studies. Where a definition for a particular construct was not available, qualitative discussions with financial planning professionals and the views expressed by clients assisted in establishing face validity.

Factor analysis has been employed as the appropriate technique for assessing construct validity (Churchill 1979). Convergent and discriminant validity of each variable is assessed through the factor loadings of the items. All items should load strongly on only one factor, in order to satisfy the requirements of convergent validity, and load weakly on all other factors, to satisfy the requirements of discriminant validity (Kohli 1989).

Reliability determines the extent to which measures of the variables are free from error and thus yield consistent results (Peter 1979). The most commonly accepted statistic for measuring reliability is Cronbach coefficient alpha (Churchill 1979; Peter 1979).

The high Cronbach alpha coefficients of all the scales and examination of the zero order correlations (Appendix E) give further evidence of convergent and discriminant validity (Gaski 1984).

Unidimensionality was assessed by principal components factor analysis with varimax rotation. All the scales but perceived performance display high unidimensionality. The perceived performance measure gave two factors which were termed as technical performance and relational performance respectively. These two components of perceived performance were separately included for further analysis.

A pretest was also administered in order to examine both the reliability and validity of the questionnaire. Comments and opinion of financial planning professionals, academic panel and clients were sought in order to remove any ambiguities in the wording of the questionnaire. In accordance with the approach outlined above, validity and reliability were established. Sections 5.4.1 through 5.4.9 present assessment of the convergent validity and reliability of measures.

5.4.1 Relationship Commitment

In order to assess the unidimensionality, the responses to the five items used to measure relationship commitment (Q4, items 1-5) were factor analysed. Initial factor analysis resulted in the emergence of only one factor confirming unidimensionality of these items. Factor loadings and eigen value are presented in Table 5.4. The test of reliability of these items gave a Cronbach alpha coefficient of 0.85. All the items exhibited high correlations with the total score of COMIT.

Table 5.4 Factor Analysis: Relationship Commitment

Item Label	Factor Loading	Correlation With Total
COMM1	0.85	0.84
COMM2	0.85	0.84
COMM3	0.79	0.79
COMM4	0.87	0.87
COMM5	0.60	0.64
Eigen value	3.20	
Coefficient Alpha	0.85	

5.4.2 Trust

Trust was measured by Q5, items 1-7. These seven items resulted in a coefficient alpha of 0.90 suggesting reliability of this measure. Factor analysis was undertaken for this measure to evaluate convergent validity. The resulting factor loadings are presented in Table 5.5.

Table 5.5 Factor Analysis: Trust

Item Label	Factor Loading	Correlation With Total
TRST1	0.70	0.71
TRST2	0.82	0.81
TRST3	0.79	0.81
TRST4	0.79	0.79
TRST5	0.82	0.82
TRST6	0.83	0.82
TRST7	0.82	0.81
Eigen value	4.46	
Coefficient Alpha	0.90	

The analysis presented above shows that the measure of trust is reliable and unidimensional.

5.4.3 Overall Service Satisfaction

Overall service satisfaction was measured by Q6, items 1-4 and Q7, items 1-3. Table 5.6 presents the reliability and validity analysis for these seven items.

Table 5.6 Factor Analysis: Overall Service Satisfaction

Item Label	Factor Loading	Correlation with Total
SAT1	0.86	0.86
SAT2	0.86	0.86
SAT3	0.77	0.79
SAT4	0.89	0.89
SAT5	0.86	0.86
SAT6	0.86	0.86
SAT7	0.87	0.87
Eigen value	5.11	
Coefficient Alpha	0.94	

The measure for overall service satisfaction showed a high reliability coefficient and all items gave high loadings on one factor. Thus the measure is taken as reliable and a unidimesional measure for overall service satisfaction.

5.4.4 Perceived Performance

Perceived performance was measured in Q10, items 1-7. All the seven items showed high correlations with the total score of perceived performance and gave a coefficient alpha of 0.87.

The initial factor analysis produced two factors with eigen values 4.04 and 1.03 respectively. A varimax rotation showed that the first, third and fourth items had heavy loadings on the first factor with the last three items loading heavily on the second factor. The second item showed a stronger loading on the first factor than on the second factor. Considering its face validity (discussions with financial planners), this item was included in the first factor to represent the first dimension of perceived performance. This analysis shows that there are two dimensions in the construct of perceived performance. The correlation coefficient of these two factors was observed as only 0.50. The conceptualisation of the perceived performance construct covered two forms of service performance, as explained in section 4.4.4. Considering the results of the factor analysis, these two dimensions were taken as two separate factors of perceived performance for data analysis and for tests of hypotheses. The first four items are taken as a measure of **technical performance** i.e., perceived performance in terms of return on funds invested, security of investments and achievement of goals. This factor is labeled as **PERFF1**. The last three items that load strongly on the second factor are taken as the measure of perceived performance in terms of **relational service**

performance i.e., promptness of the adviser, care and consideration given by the adviser in personal circumstances of the client, friendliness etc. This measure is labeled as **PERFF2**. Both these dimensions are taken separately in further multivariate analysis. Table 5.7 shows the factor loadings, correlations of all the seven items with the total score of perceived performance and coefficient alpha.

Table 5.7 Factor Analysis: Perceived Performance
(Varimax rotation)

Item label	Factor1	Factor2	Correlation With Total
PERF1	0.82	0.25	0.79
PERF2	0.57	0.34	0.68
PERF3	0.88	0.19	0.79
PERF4	0.81	0.29	0.80
PERF5	0.27	0.85	0.77
PERF6	0.31	0.84	0.78
PERF7	0.24	0.83	0.73

Eigen value	Factor 1	4.04
	Factor 2	1.03
Coefficient alpha	0.87	

5.4.5 Communication Effectiveness

Communication effectiveness was measured in Q 11, items 1-4. Table 5.8 shows the factor loadings and the correlation coefficients of all these items with the total score of this construct.

Table 5.8 Factor Analysis: Communication Effectiveness

Item Label	Factor Loading	Correlation With Total
COMMU1	0.82	0.85
COMMU2	0.89	0.88
COMMU3	0.91	0.90
COMMU4	0.87	0.86
Eigen value	3.06	
Coefficient alpha	0.89	

All the items show high loadings and have high correlations with the total score. The reliability analysis resulted in a alpha coefficient of 0.89. Therefore, these items are taken as a measure for communication effectiveness in this study.

5.4.6 Client Knowledge and Experience

Client knowledge and experience were measured in Q 17, items 1-4. Table 5.9 presents the results of the factor analysis of these items, correlations with total score of this construct and coefficient alpha. The analysis gives sufficient evidence to accept these items as a reliable and unidimensional measure for client knowledge and experience.

Table 5.9 Factor Analysis: Client Knowledge and Experience

Item Label	Factor Loading	Correlation with Total
CKNOW1	0.85	0.84
CKNOW2	0.79	0.78
CKNOW3	0.77	0.78
CKNOW4	0.82	0.82
Eigen value	2.59	
Coefficient alpha	0.82	

5.4.7 Switching Cost

Switching cost was measured in Q 14, items 1-5. Table 5.10 presents the results of factor and reliability analysis for these items. Again as expected, only one factor emerged from the analysis with all items loading heavily. This analysis confirmed a priori expectation that the measures of switching cost were unidimensional and internally consistent.

Table 5.10 Factor Analysis: Switching Cost

Item Label	Factor Loading	Correlation With Total
SWCT1	0.67	0.70
SWCT2	0.72	0.73
SWCT3	0.73	0.73
SWCT4	0.81	0.79
SWCT5	0.78	0.76
Eigen value	2.78	
Coefficient alpha	0.80	

5.4.8 Investment in the Current Relationship

Investment in the current relationship was measured in Q 16, items 1-3. The factor analysis resulted in the emergence of only one factor confirming the unidimensionality of this measure. Table 5.11 presents the results of factor and reliability analysis. Examination of the factor loadings, coefficient alpha and item to total correlations established convergent validity as well as internal consistency of the items (reliability).

Table 5.11 Factor Analysis: Investment in the Current Relationship

Item Label	Factor Loading	Correlation With Total
INRL1	0.92	0.91
INRL2	0.93	0.92
INRL3	0.71	0.74
Eigen value	2.21	
Coefficient alpha	0.82	

5.4.9 Alternative Attractiveness

Alternative attractiveness was measured in Q 15, items 1-5. The factor analysis resulted in the emergence of one factor. The coefficient alpha value for this factor was computed to be 0.75. The loading for items two and three were not very high. Considering Gaski(1984), coefficient alpha for alternative attractiveness was higher than the correlation coefficient of this construct with other constructs (refer Appendix E).

Therefore, these items were retained for further analysis. The results of reliability and validity analysis are presented in Table 5.12.

Table 5.12 Factor Analysis: Alternative Attractiveness

Item Label	Factor Loading	Correlation With Total
ALTATT1	0.70	0.67
ALTATT2	0.49	0.52
ALTATT3	0.56	0.62
ALTATT4	0.88	0.86
ALTATT5	0.85	0.82
Eigen value	2.55	
Coefficient alpha	0.75	

The results of validity and reliability analysis confirmed the a priori expectation that these measures were unidimensional and internally consistent.

5.4.10 Assessment of Discriminant Validity

Kohli (1989) suggests the use of factor analysis to assess discriminant validity of measures. Accordingly, all items of a scale should load strongly on one factor, to satisfy the requirements of convergent validity and load weakly on all other factors to satisfy the requirements of discriminant validity. All the items composing the various scales of relationship commitment, trust, overall service satisfaction, communication effectiveness, perceived performance, switching cost, investment in the current relationship, alternative attractiveness and client knowledge and experience were factor analysed together (Appendix D). The varimax rotated factor solution resulted in the emergence of 9 factors with eigen values greater than 1. Items of trust, communication effectiveness, investment in the current relationship, and client knowledge and experience represented their independent attempts to measure the respective constructs. Therefore these measures demonstrated high discriminant validity. All but one items of the relationship commitment scale displayed high discriminant validity by loading heavily on one factor. The last item did not load strongly. Considering Gaski (1984), coefficient alpha was higher for the relationship commitment scale as compared to the correlation coefficients of this construct with other constructs. Therefore, the last item of the relationship commitment scale was retained for further analysis. The items of perceived performance did not load strongly on one factor. Earlier, two dimensions had emerged in the perceived performance measure at the time of assessing convergent validity in section 5.4.4. Both the dimensions appeared to be important in view of the conceptualisation of perceived performance (interviews with financial planners). Considering the high coefficient alpha and validity assessment presented in section 5.4.4, these items were retained as a valid measure of perceived performance. Further, considering Gaski(1984), the coefficient alpha were systematically higher for all the scales as compared to correlation coefficients with other constructs. Therefore, discriminant validity of measures was established.

All the items of overall service satisfaction failed to load heavily on one factor. Items 5, 6 and 7 loaded strongly on one factor whereas items 1-4 resulted in less strong loadings. Although the measure of overall service satisfaction did not demonstrate very high discriminant validity, considering the wide acceptance of these measures in the customer satisfaction literature (thus affording construct validity), strong alpha values and unidimensionality of this measure as discussed in section 5.4.3, this is taken as a valid measure of overall service satisfaction for the purpose of further analysis in this study. All the items of the switching cost scale did not result in strong loadings on one factor. However these items are accepted as a measure of switching cost considering the alpha value and convergent validity as discussed in section 5.4.7. Similarly the discriminant validity of the alternative attractiveness scale was established considering its high alpha value (Gaski 1984) exhibited by the scale in section 5.4.9. The results of the factor analysis are presented in Appendix D. Having established the validity and reliability of the dependent and independent variables, the various items comprising each construct were summed and arranged to form a composite multi-item measures for analysis purposes.

5.5 Tests of Hypotheses

In the previous chapter, research methodology, the use of linear regression and moderated regression techniques was discussed in order to test the hypotheses developed in chapter three. A series of linear regression models were developed for the purpose of testing hypotheses.

5.5.1 Assumptions in Linear Regression Analysis

In regression analysis, due care must be taken to ascertain that the data meets the assumptions of linearity, equality of variance and normality. As discussed in the research methodology chapter, ignoring these assumptions produces invalid results and reduces the predictive power of the regression model. To ascertain whether the data met the requirements of linearity and equality of variance, scatter plots were taken (Norusis

1993). The scatterplots of standardized residual Vs regression standardized predicted value did not show any systematic pattern. For the assumption of equality of variance, the scatterplots of studentized residual Vs regression standardised predicted value were taken. No violation of equality-of-variance assumption was observed. In order to see whether the normality assumption is met, the histograms of regression standardised residuals were constructed. In all the histograms, the distributions of residuals seemed to be approximately normal. Thus it was confirmed that the data met the assumptions of linearity, equality-of-variance and normality.

5.5.2 Multicollinearity

Collinearity refers to the situation in which there is a high multiple correlation when one of the independent variables is regressed on others (Norusis 1993). The problem with collinear variables is that they provide very similar information, and it is difficult to separate the effects of the individual variables. In SPSS software, diagnostics are available to show whether there is multicollinearity in the independent variables. The multicollinearity diagnostics were taken for each regression model in this study. An examination of the condition indices and variance proportions showed that multicollinearity has not degraded the results of the regression models.

5.5.3 Regression Model: Relationship Commitment

As discussed in chapter three, three variables have been identified from the literature as important in explaining how commitment develops in the relationship between a client and his/her adviser. These variables are trust, overall service satisfaction and communication effectiveness. A regression model was developed to gain an understanding of the effects of these variables on the dependent variable, relationship commitment.

Table 5.13 Regression Model: Relationship Commitment

Dependent Variable - Relationship Commitment (COMIT)

R^2	0.50	F Statistic	99.65
Adj R^2	0.50	Significance	0.000
Std. Error	0.50		

Independent Variables	Standardised Beta	T	Significance
Overall service satisfaction (SATIS)	0.453	5.699	0.000
Trust (TRUST)	0.281	3.514	0.000
Communication effectiveness (COMMUN)	0.039	0.721	0.472*

* not significant

In the above regression model, overall service satisfaction and trust show significant regression coefficients whereas communication effectiveness shows an insignificant regression coefficient.

Another regression model was formulated including overall service satisfaction and trust as the independent variables of relationship commitment. Communication effectiveness was excluded from the regression model. The results are presented below:

Table 5.13 a Regression Model: Relationship commitment

Dependent Variable - Relationship Commitment (COMIT)

R^2	0.50	F Statistic	99.65
Adj R^2	0.50	Significance	0.000
Std. Error	0.50		

Independent Variables	Standardised Beta	T	Significance
Overall Service satisfaction	0.459	5.835	0.000
Trust	0.291	3.693	0.000

The above regression model indicates that overall service satisfaction and trust explain 50% of the variation in the dependent variable - relationship commitment (significant at 0.000 level).

- **Association between Relationship Commitment and Trust**

Hypothesis 1:

The higher the level of trust in the financial adviser, the greater the relationship commitment.

It was posited that a positive relationship exists between relationship commitment (COMIT) and trust (TRUST). The clients who show more trust in their relationship with an adviser are expected to be committed to a greater extent. Trust displayed a significant, positive association with relationship commitment with a beta coefficient of 0.291, significant at 0.000 level. Hence, hypothesis 1 is supported.

- **Association between Relationship Commitment and Overall Service Satisfaction**

Hypothesis 2:

The higher the overall service satisfaction, the greater the relationship commitment.

This hypothesis posits that a positive association exists between overall service satisfaction and relationship commitment. Clients who express a high overall service satisfaction are expected to be committed to their adviser to a greater extent. Referring to Table 5.13a, there is sufficient evidence to support this hypothesis. Overall service satisfaction has a beta value of 0.459, significant at 0.000 level. Hence, hypothesis 2 is supported.

- **Association between Relationship Commitment and Communication Effectiveness**

Hypothesis 3: The higher the communication effectiveness of the financial adviser, the greater the relationship commitment.

This hypothesis suggests that a positive direct association exists between communication effectiveness and relationship commitment. However communication effectiveness displayed a nonsignificant regression coefficient of 0.039 in Table 5.13, therefore this hypothesis cannot be supported.

5.5.4 Regression Model: Trust

As discussed in chapter three, three factors were identified from the literature and exploratory research phase as potentially important in explaining why a client develops trust in the adviser. These factors are communication effectiveness, overall service satisfaction and perceived performance. The validity assessment of perceived performance indicated that this variable was not unidimensional, but rather comprise two separate dimensions, namely technical performance and relational performance. This option increases the number of independent variables to five with trust being a dependent variable. Table 5.14 presents the results of this regression model.

Table 5.14 Regression Model: Trust

Dependent Variable - Trust

R^2	0.67	F Statistic	126.60
Adj R^2	0.66	Significance	0.000
Std. error	0.36		

Independent Variables	**Standardised Beta**	**T**	**Significance**
Overall service satisfaction (SATIS)	0.43	6.37	0.000
Communication effectiveness (COMMUN)	0.30	4.97	0.000
Technical performance (PERFF1)	0.17	2.86	0.004
Relational performance (PERFF2)	0.097	1.55	0.123*

* not significant

- **Association between Overall Service Satisfaction and Trust**

Hypothesis 4 :

The higher the overall service satisfaction, the greater the trust.

This hypothesis suggests that a positive association exists between trust and overall service satisfaction. It is expected that if there is a high level of overall service satisfaction experienced by a client, this develops greater trust in the adviser.

Overall service satisfaction displayed a positive beta coefficient of 0.43, significant at 0.000 level. Hence, hypothesis 4 is supported.

- **Association between Trust and Communication Effectiveness**

Hypothesis 5 :

The higher the communication effectiveness in consumer financial services, the greater the trust.

This hypothesis suggests that a positive association exists between communication effectiveness and trust. The clients who perceive communication effectiveness to be high, are expected to show more trust in their adviser. Referring to Table 5.14, there is sufficient evidence to support this hypothesis. Communication effectiveness shows a beta coefficient of 0.30, significant at 0.000 level. Therefore, hypothesis 5 is accepted.

- **Association between Trust and Perceived Performance**

Hypothesis 6:

The higher the perceived performance of the financial adviser, the greater the trust.

This hypothesis suggests that a positive association exists between perceived performance and trust. As discussed earlier, in section 5.4.4, the effect of perceived performance is measured across two dimensions, namely technical performance and relational performance. The relationship between technical performance and trust is posited in hypothesis 6a and the relationship of relational performance on trust is posited in hypothesis 6b.

Hypothesis 6a : The higher the technical performance of the financial adviser, the greater the trust.

According to this hypothesis, the clients who consider that their adviser has helped get the best possible return on their investments develop a greater trust. Referring to Table 5.14, there is sufficient evidence to accept this hypothesis. Technical performance (PERFF1) displayed a positive beta value 0.17, significant at 0.004 level. Therefore, hypothesis 6a is accepted.

Hypothesis 6b : The higher the relational performance of the financial adviser, the greater the trust.

This hypothesis suggests that a positive association exists between trust and relational performance. The clients who have a higher perception of relational performance of their adviser are expected to develop a higher trust. Table 5.14 depicts that there is insufficient evidence to accept this hypothesis. Relational performance displayed a beta coefficient 0.097, significant at 0.12 level. Therefore, hypothesis 6 b is rejected.

5.5.5 Regression Model: Perceived performance

Given the hypothesised effect of communication effectiveness on perceived performance, a regression model was developed considering perceived performance as dependent and communication effectiveness as independent variable. As perceived performance was assessed across technical performance and relational performance, there are two dependent variables in this model, technical performance and relational performance. The results are presented as following:

Table 5.15 Regression Model: Technical Performance

Dependent variable Perceived Technical Performance

R^2 0.384		F statistic 118.986	
Adj. R^2 0.38		Significance 0.000	
Std. Error 0.56			
Independent variables	**Beta coefficient**	**T**	**Significance**
Communication effectiveness	0.62	10.908	0.00

Table 5.16: Regression Model Relational Performance

Dependent Variable Relational Performance

R^2 0.487 F Statistic 183.233
Adj. R^2 0.484 Sig. 0.000
S. Error 0.466

Independent Variables	Standardized Beta	T	Significance
Communication effectiveness	0.698	13.536	0.000

Hypothesis 7: The higher the communication effectiveness of the financial adviser, the greater the perceived performance.

Again, splitting this hypothesis into two parts, we get

Hypothesis 7 a: The higher the communication effectiveness of the financial adviser, the greater the technical performance.

Hypothesis 7 b: The higher the communication effectiveness of the financial adviser, the greater the relational performance.

Looking at the results in Table 5.15 and Table 5.16, it is evident that communication effectiveness shows a regression coefficient 0.62 for technical performance and 0.698 for relational performance. Both the regression coefficients are statistically significant providing support for hypotheses 7a and 7b.

5.5.6 Regression Model: Overall Service Satisfaction

It was identified from the literature that overall service satisfaction is influenced by perceived performance. A separate regression model was developed to gain an understanding of the effect of perceived performance on overall service satisfaction. As discussed in the regression model - trust, perceived performance is composed of two dimensions, technical performance and relational performance. Therefore, the effect of two separate independent variables namely, technical performance and relational performance on the dependent variable overall service satisfaction was examined. The results of the regression model are presented in Table 5.17.

Table 5.17 Regression Model: Overall Service Satisfaction

Dependent Variable	**Overall Service Satisfaction**		
	R^2 0.59	F Statistic 138.852	
	Adj. R^2 0.59	Significance 0.000	
	Std. Error 0.45		
Independent Variables	**Beta coefficient**	**T**	**Significance**
Technical Performance (PERFF1)	0.49	8.60	0.000
Relational Performance (PERFF2)	0.37	6.48	0.000

- **Association between Perceived Performance and Overall Service Satisfaction**

Hypothesis 8 :

The higher the perceived performance of the financial adviser, the greater the overall service satisfaction.

This hypothesis suggests that there is a positive association between perceived performance and overall service satisfaction. The effect of perceived performance has to be measured across its two dimensions separately. Therefore, the effect of technical performance is posited in hypothesis 8a and the effect of relational performance is posited in hypothesis 8b.

Hypothesis 8a :

The higher the technical performance of the financial adviser, the greater the overall service satisfaction.

According to this hypothesis, the clients who perceive a higher performance in terms of growth and return on investment, are expected to be more satisfied from the service. Referring to table 5.17, technical performance (PERFF1) displayed a positive beta coefficient of 0.49, significant at 0.000 level. This evidence supports hypothesis 8a.

Hypothesis 8b:

The higher the relational performance of the financial adviser, the greater the overall service satisfaction.

This hypothesis suggests that the relational performance is positively associated with overall service satisfaction. A client who has a greater perception of relational performance (friendliness, prompted service and consideration of client's circumstances etc.) is expected to feel more satisfied.

Perceived relational performance displayed a beta value of 0.37, significant at 0.000 level. This evidence supports hypothesis 8b.

5.6 Causal Path Analysis

Given the potential existence of a set of direct and indirect relationships in the theoretical model of relationship commitment in the personal financial planning services area, causal path analysis was considered an appropriate analysis technique. This technique is useful in investigating the impacts of trust, overall service satisfaction, communication effectiveness, technical performance and relational performance on the ultimate dependent variable, relationship commitment.

The path model derived is shown in figure 4 (next page). Path coefficients are given along respective paths. These are standardised beta coefficients taken from the regression analysis presented in the previous sections.

The direct, indirect, and total effects of each variable are depicted in Table 5.18. The indirect effects are calculated by multiplying the sequential beta coefficients along any given path. Following the method devised by Asher (1976), the indirect effect of technical performance on commitment is calculated as

$(0.49*0.43*0.29) + (0.49*0.46) + (0.17*0.29) = 0.34$

because it is mediated through trust and overall service satisfaction. Similarly the indirect effects of other variables are derived.

Figure 4
A Causal Path Model of Direct and Indirect Effects of Various Determinants on Relationship Commitment

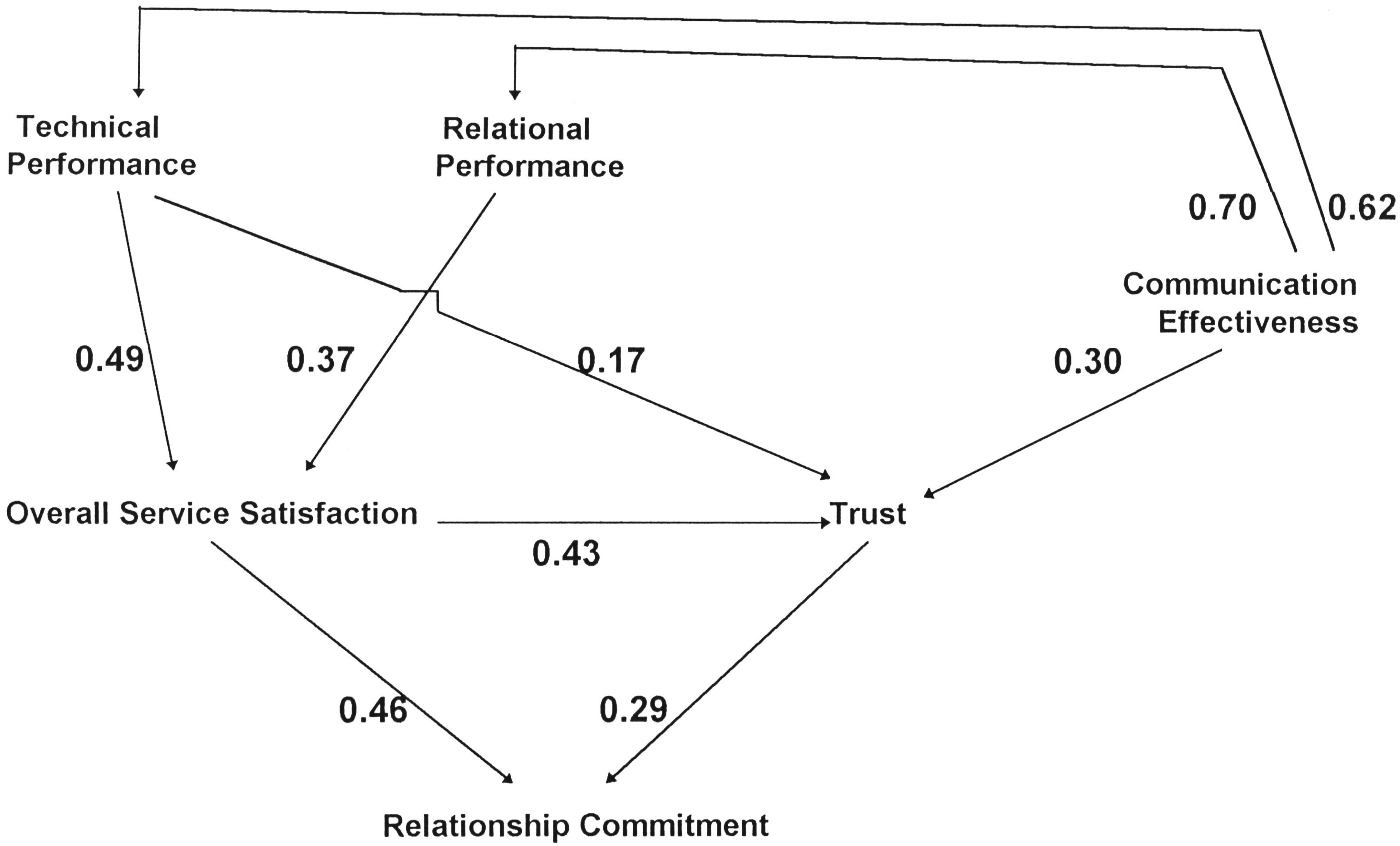


Table 5.18 Effects of Independent Variables on Relationship Commitment

Variable	Direct Effect	Indirect Effect	Total Effect
Trust	0.29	-	0.29
Overall Service Satisfaction	0.46	0.12	0.58
Communication effectiveness	-	0.45	0.45
Technical Performance	-	0.34	0.34
Relational Performance	-	0.22	0.22

The path analysis shows that trust, overall service satisfaction, communication effectiveness, technical performance and relational performance are the determinants of relationship commitment in the personal financial planning services area.

The impacts of trust and communication effectiveness are mentioned in the extant literature (Morgan and Hunt 1994). Although the impacts of overall service satisfaction, technical performance and relational performance on relationship commitment are not previously mentioned, this study gives sufficient evidence to accept them as determinants of relationship commitment.

Table 5.18 shows that overall service satisfaction is the strongest determinant of relationship commitment with a total impact (0.58) that is twice the impact of trust (0.29). This affects relationship commitment directly as well as indirectly. The indirect effect of overall service satisfaction on relationship commitment is mediated through trust.

Communication effectiveness has a total indirect effect of 0.45 on relationship commitment. This affects commitment through trust, technical performance and relational performance.

Technical performance has an indirect effect of 0.34 on relationship commitment. These indirect effects are through trust as well as overall service satisfaction. Relational performance has an indirect effect of 0.22 on relationship commitment via overall service satisfaction.

This analysis can be summarised as follows:

1. Overall service satisfaction is the strongest determinant of relationship commitment in the personal financial service sector. This affects relationship commitment independently and through trust. If a client feels satisfied, he will develop commitment

toward the adviser. Overall service satisfaction also intervenes between technical performance and relationship commitment; and, relational performance and relationship commitment.

2. Communication effectiveness is the second strongest determinant of relationship commitment. Though communication does not directly affect commitment, it has its indirect effects through trust and technical as well as relational performance. The clients who get frequent information about their invested funds, regular portfolio updates and understand what their advisers explain to them about various funds develop higher commitment. This finding confirms the assertions of Bland (1997) and Hatfeld(1994) that communicative ability of the adviser is an important ingredient for success in the personal financial planning service.

3. Technical performance is the third strongest influencer of relationship commitment. It impacts on relationship commitment indirectly through trust and overall service satisfaction. Clients who receive good returns on their funds invested, are likely to be more committed through developing high perceptions of trust and service satisfaction.

4. Trust is the fourth strongest determinant of relationship commitment. It impacts directly on relationship commitment. Trust intervenes between overall service satisfaction and relationship commitment, between technical performance and relationship commitment, and between communication effectiveness and relationship commitment.

5. Relational performance also influences relationship commitment indirectly through overall service satisfaction. Overall service satisfaction directly affects trust and relationship commitment (see point 1) thus relational behaviour exhibited by an adviser helps in maintaining commitment by developing higher service satisfaction and trust.

5.6.1 Testing the mediating effect of Trust on the impact of Overall Service Satisfaction and Communication Effectiveness on Relationship Commitment

- **Testing the mediation effect of trust on the impact of overall service satisfaction on relationship commitment**

Following the method devised by Baron and Kenny (1986), three regressions were run to establish the mediation effect of trust on the impact of overall service satisfaction on relationship commitment.

(1) TRUST = a(SATIS) + b

(2) COMIT = c(SATIS) + d

(3) COMIT = e(SATIS) + f(TRUST)+ g

where a = regression coefficient for the impact of overall service satisfaction on trust;

c = regression coefficient for the impact of overall service satisfaction on relationship commitment;

e = regression coefficient for the impact of overall service satisfaction on relationship commitment ;

f = regression coefficient for the impact of trust on relationship coefficient; and

b,d and g are constants.

The results of these regression equations are presented in the Table 5.19.

Table 5.19 Mediation test of Trust for the impact of Overall Service Satisfaction on Relationship Commitment

Dependent variable	Independent variables	R^2	Adj. R^2	Regress coeff.	T	Significance
		Regression equation - one				
Trust	Overall service satisfaction	0.59	0.59	0.68	17.07	0.00
		Regression equation - two				
Relationship commitment	Overall service satisfaction	0.47	0.47	0.69	13.21	0.00
		Regression equation - three				
Relationship commitment	Overall service satisfaction	0.50	0.50	0.46	5.84	0.00
	Trust			0.33	3.69	0.00

Following Baron and Kenny (1986), the regression coefficients for the impact of overall service satisfaction on trust and relationship commitment are examined in regression equation one and two. Table 5.19 shows that overall service satisfaction has a significant impact on trust and relationship commitment in regression equations one and two. The impact of trust on relationship commitment is also significant in third regression model. Further, the regression coefficient for overall service satisfaction on relationship commitment is lower in regression equation three as compared to regression equation two (0.46<0.69). Thus all the conditions for the mediation test of trust are met.

Therefore, trust is identified as the mediator for the impact of overall service satisfaction on relationship commitment in the personal financial planning services.

- **Testing the mediating effect of trust on the impact of communication effectiveness on relationship commitment**

Following the procedure described above, three regression equations were run as shown below:

(1) TRUST = a(COMMUN) + b

(2) COMIT = c(COMMUN) + d

(3) COMIT = e(COMMUN) + f(TRUST) + g

The results of these regression models are presented in the Table 5.20

Table 5.20 Mediation test of Trust on the impact of Communication Effectiveness on Relationship Commitment

Dependent variable	Independent variables	R^2	Adj. R^2	Regress coeff.	T	Significance
		Regression equation - one				
Trust	Communication effectiveness	0.15	0.14	0.38	5.81	0.00
		Regression equation - two				
Relationship commitment	Communication effectiveness	0.10	0.10	0.31	4.62	0.00
		Regression equation - three				
Relationship commitment	Communication effectiveness	0.42	0.41	0.08	1.31	0.19*
	Trust			0.62	10.53	0.00

* non significant

Table 5.20 shows that in the first and second regression equations, the regression coefficients for the impact of communication effectiveness on trust and relationship commitment are significant. In regression equation three, the regression coefficient for the impact of communication effectiveness on relationship commitment is non significant whereas the regression coefficient for the impact of trust on relationship commitment is significant. According to Baron and Kenney(1986), these conditions hold in the situation of perfect mediation. Thus it is asserted that trust is a mediator for the impact of communication effectiveness on relationship commitment in the personal financial planning services.

5.7 Moderated Regression Analysis

Switching cost, investment in the current relationship, alternative attractiveness and client knowledge and experience are included in the theoretical model as moderator variables. The hypotheses suggesting the moderating effects of these variables were developed in chapter 3, section 3.2.4 and 3.2.5. The possible moderating effect of switching costs, investment in the current relationship and alternative attractiveness on the development of relationship commitment was explored by the moderated regression analysis technique recommended by Sharma et al. (1981). This technique examines three regression equations for equality of the regression coefficients:

(1) $y = a + b_1 x$

(2) $y = a + b_1 x + b_2 z$

(3) $y = a + b_1 x + b_2 z + b_3 (x*z)$

where: y = commitment;

b = regression coefficients;

x = overall service satisfaction/ trust;

z = switching cost/investment in the current relationship/alternative attractiveness; and

x*z = interaction of x and z

Following Sharma et al., a step wise hierarchical regression procedure was performed by stepping in the terms x, z, and x*z, respectively. This meant that there would be three regression equations: (1) regression of y on x (step one in the step wise hierarchical regression procedure), (2) regression of y on x and z (step two in the hierarchical regression), and (3) regression of y on x, z, and x*z (step three in the step wise hierarchical regression). The significance of the respective beta coefficient for the variable just entered was determined by examining the p value. If equations (2) and (3) are not significantly different (i.e., $b_1 \neq 0$; $b_2 \neq 0$; $b_3 = 0$), z is not a moderator variable. For z to be a pure moderator variable, equations (1) and (2) should not be different but should be different from equation (3) (i.e., $b_1 \neq 0$; $b_2 = 0$; $b_3 \neq 0$). For z to be classified as quasi moderator variable, equations (1), (2), and (3) should be different from each other (i.e., $b_1 \neq 0$; $b_2 \neq 0$; $b_3 \neq 0$).

The results of the moderated regression analysis are presented in Table 5.21. There are two sets of regressions since the moderating effect has to be measured for trust as well as overall service satisfaction (refer regression model-relationship commitment, section 5.5.3).

Table 5.21 Results of Moderated Regression Analysis for the impact of Overall Service Satisfaction and Trust on Relationship Commitment

Variable y=COMIT	Beta coeff. b(x)	Significance	Beta coeff. b(z)	Significance	Beta coeff. b(x*z)	Significance	F value
x=SATIS	0.68	0.000					174.57
z=SWCT	0.48	0.000	0.37	0.000			128.06
	0.92	0.000	0.93	0.000	-0.89	0.008	90.45
x=SATIS	0.59	0.000	0.26	0.000			108.07
z=INRL	0.59	0.000	0.26	0.000	0.08	0.834*	108.07
x=SATIS	0.58	0.000	-0.17	0.008			90.54
z=ALTATT	0.75	0.000	0.42	0.097*	-0.18	0.002	93.57
x=TRUST	0.64	0.000					141.75
z=SWCT	0.47	0.000	0.45	0.000			140.85
	0.47	0.000	0.45	0.000	-0.54	0.114*	140.85
x=TRUST	0.55	0.000	0.29	0.000			95.73
z=INRL	0.55	0.000	0.29	0.000	-0.10	0.826*	95.73
x=TRUST	0.52	0.000	-0.25	0.000			81.48
z=ALTATT	0.71	0.000	0.61	0.082*	-0.24	0.000	84.42

* not significant

COMIT= Relationship commitment; SATIS= Overall service satisfaction; SWCT= Switching cost; INRL= Investment in the current relationship; ALTATT= Alternative attractiveness

Refer to Section 5.7, if b(x), b(z) and b(x*z) are significant: it shows a quasi moderating effect of z on y;

if b(x) and b(x*z) are significant and b(z) is non significant: it shows a pure moderating effect of z on y; and

if b(x) and b(z) are significant whereas b(x*z) is non significant: it shows that z is an independent antecedent of y.

5.7.1 Identification of Moderator Variables for the association between Overall Service Satisfaction and Relationship Commitment

Referring to Table 5.21, it follows that the regression coefficients for switching cost and the interactive term (i.e., overall service satisfaction * switching cost) are both significantly different from 0. Thus, switching cost is a quasi moderator variable for the relationship between overall service satisfaction and relationship commitment.

Again, Table 5.21 shows that the regression coefficient for investment in the current relationship is significant, but for the interactive term (i.e., overall service satisfaction * investment in the current relationship) this is not significant. Thus, investment in the current relationship is not a moderator variable for the association between overall service satisfaction and relationship commitment. It is rather an independent antecedent to relationship commitment.

Next, the regression coefficient for alternative attractiveness is not significant but the interactive term (i.e., overall service satisfaction * alternative attractiveness) has a significant beta coefficient. Therefore, alternative attractiveness is identified as a pure moderator for the association between overall service satisfaction and relationship commitment.

5.7.2 Identification of Moderator Variables for the association between Trust and Relationship Commitment

Referring again to Table 5.21, switching cost has a significant beta coefficient but the interactive term (trust * switching cost) is not significantly different from 0. Thus, switching cost does not moderate the relationship between trust and relationship commitment rather, switching cost has its independent effect on relationship commitment.

Again, investment in the current relationship results in a similar conclusion. The beta coefficient for interactive term is not significantly different from 0 whereas investment in the relationship alone gives a significant beta value. Thus, it is posited that investment in the current relationship does not moderate the association between trust and relationship commitment.

Alternative attractiveness does not show a significant beta coefficient but the respective interactive term (i.e., trust * alternative attractiveness) shows a significant beta coefficient. Thus, alternative attractiveness is a pure moderator.

5.7.3 Calculation of Moderating Effects

In order to gain more insight into the moderating effects, the method adopted by Franz and Robey (1986) was used to do further analysis. Table 5.22 shows five equations, with each equation representing the possible moderating effect of a moderating item identified in the sections 5.7.1 and 5.7.2.

Table 5.22 Moderating Effect of Switching Cost on the Impact of Overall Service Satisfaction on Relationship Commitment

$$\text{COMIT} = -1.41 + 0.93\ \text{SATIS} + 0.96\ \text{SWCT} - 0.15\ (\text{SATIS} * \text{SWCT})$$

$$\text{COMIT} = -1.41 + (0.93 - 0.15\ \text{SWCT})\ \text{SATIS} + 0.96\ \text{SWCT}$$

Putting SWCT = 2.63	COMIT = 1.12 + 0.536 SATIS
SWCT = 3.32	COMIT = 1.78 + 0.432 SATIS
SWCT = 4.00	COMIT = 2.43 + 0.330 SATIS

Each equation is in the form of equation 3 in the MRA technique. Each beta value represents the amount of change in y (i.e., relationship commitment) when the related independent variable was changed by one unit whilst keeping others constant. The terms in the equation were then rearranged so that the moderating variable becomes part of the intercept and slope of the equation, making overall service satisfaction the only independent variable in the equation. After this, three values of the moderating variable (one standard deviation below the mean, the mean, and one standard deviation above the mean) were substituted in the equation. This produced 3 regression lines. Referring to Table 5.22, the slope of the regression line decreases as switching cost increases. Therefore, a variation in the switching cost alters the impact of overall service satisfaction on relationship commitment.

Table 5.23 Moderating effect of Alternative Attractiveness on the Impact of Overall Service Satisfaction on Relationship Commitment

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COMIT = 1.16 + 0.76 SATIS - 0.06 SATIS * ALTATT

COMIT = 1.16 + (0.76 - 0.06 ALTATT) SATIS

Putting ALTATT = 2.15	COMIT = 1.16 + 0.63 SATIS
ALTATT = 2.69	COMIT = 1.16 + 0.60 SATIS
ALTATT = 3.23	COMIT = 1.16 + 0.57 SATIS

Table 5.24 Moderating effect of Alternative Attractiveness on the Impact of Trust on Relationship Commitment

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COMIT = 1.13 + 0.81 TRUST - 0.08 TRUST * ALTATT

COMIT = 1.13 + (0.81 - 0.08 ALTATT) TRUST

Putting ALTATT = 2.15	COMIT = 1.13 + 0.64 TRUST
ALTATT = 2.69	COMIT = 1.13 + 0.59 TRUST
ALTATT = 3.23	COMIT = 1.13 + 0.55 TRUST

Table 5.23 shows the equation 3 in the MRA analysis for the moderating effect of alternative attractiveness on the impact of overall service satisfaction on relationship commitment. It is obvious that the slope of regression line decreases as alternative attractiveness increases. Similarly in Table 5.24, the slope of regression line for the impact of trust on relationship commitment decreases with the increase of alternative attractiveness. Therefore a variation in the alternative attractiveness alters the impact of overall service satisfaction and trust on relationship commitment.

5.8 Results of Subgroup Analysis for Switching cost, Investment in the current Relationship and Alternative Attractiveness

Subgroup analysis (Kohli 1989) was performed to provide some more evidence of the existence of the moderating impact of switching cost, investment in the current relationship and alternative attractiveness. To achieve this, the whole sample was divided into two subgroups on the basis of high switching cost and low switching cost; high investment and low investment, and high alternative attractiveness and low alternative attractiveness. A total of 52 cases from the middle of the distribution were dropped to increase the contrast between the high and the low subgroups. This contrast is evident from Table 5.25 which shows the mean and standard deviation for each sub group. Similarly 46 cases for low investment and 89 cases for high investment group were considered. For alternative attractiveness, 62 cases for the low group and 34 cases from the high group were considered. The Chow test (1960) was performed to test the significance of difference in the form (slopes) of regression models across each of the pairs of the high and the low sub groups. An unpaired t-test was used to test the significance of the difference in the regression coefficients within the individual groups.

Table 5.25 shows the mean and standard deviation of switching cost, investment in the current relationship and alternative attractiveness for the high subgroup and the low sub group. Table 5.26 presents the moderating effect of switching cost on the impact of overall service satisfaction and trust on relationship commitment. The regression coefficients of overall service satisfaction and trust are presented for the whole sample, the high group and the low group. The results of Chow test and t test are also displayed in Table 5.26. Table 5.27 shows the moderating effect of investment in the current relationship on the impact of overall service satisfaction and trust on relationship commitment. Table 5.28 shows the results of the sub group analysis for the moderating effect of alternative attractiveness on the impact of overall service satisfaction and trust on relationship commitment. Table 5.29 shows the standardised regression coefficients for overall service satisfaction and trust in the high and the low subgroups of switching cost, investment in the current relationship and alternative attractiveness.

Table 5.25 Means and Standard Deviations in High and Low subgroups

Variable	Mean (high group)	Std. dev.	Mean (low group)	Std. dev.
Switching cost	3.58	0.50	2.12	0.37
Investment in the current relationship	3.57	0.54	2.10	0.34
Alternative attractiveness	3.12	0.24	2.04	0.35

Table 5.26 Subgroup analysis for the Moderating effect of Switching cost on the Impact of Overall Service Satisfaction and Trust on Relationship Commitment

Dependent variable	Independent variables	R^2	Adj. R^2	Regress coeff.	T	Significance
Relationship commitment (Total sample)	Overall service satisfaction	0.467	0.465	0.690	13.212	0.000
	Trust	0.416	0.413	0.736	11.906	0.000
Relationship commitment (low group) 23 cases	Overall service satisfaction	0.726	0.713	0.867	7.463	0.000
Relationship commitment (high group) 126 cases	Overall service satisfaction	0.280	0.274	0.543 t sig. 0.00 Chow F (126, 23) = 75.6 Sig. 0.01	6.915	0.000
Relationship commitment (low group) 23 cases	Trust	0.346	0.315	0.69	3.337	0.003
Relationship commitment (high group) 126 cases	Trust	0.367	0.362	0.611 t Sig. 0.000 Chow F(126, 23) = 80.48 sig. 0.01	8.449	0.000

Table 5.27 Subgroup Analysis for the moderating effect of Investment in the current relationship on the Impact of Overall Service Satisfaction and Trust on Relationship Commitment

Dependent variable	Independent variables	R^2	Adj. R^2	Regress coeff.	T	Significance
Relationship commitment (low group) 46 cases	Overall service satisfaction	0.439	0.427	0.623	5.878	0.000
Relationship commitment (high group) 89 cases	Overall service satisfaction	0.569	0.563	0.765 t sig. 0.08 Chow F (89, 46) = 123.43 sig. 0.000	10.58	0.000
Relationship commitment (low group) 46 cases	Trust	0.389	0.375	0.714	5.295	0.000
Relationship commitment (high group) 89 cases	Trust	0.428	0.422	0.731 t not significant Chow F (89, 46) = 101.5 sig. 0.00	7.982	0.000

Table 5.28 Subgroup analysis for the moderating effect of Alternative Attractiveness on the Impact of Overall Service Satisfaction and Trust on Relationship commitment

Dependent variable	Independent variables	R^2	Adj. R^2	Regress coeff.	T	Significance
Relationship commitment (low group) 62 cases	Overall service satisfaction	0.391	0.381	0.705	6.21	0.000
Relationship commitment (high group) 34 cases	Overall service satisfaction	0.343	0.316	0.526	3.61	0.001
				t sig. 0.08 Chow F (34,62) = 146.95		sig. 0.000
Relationship commitment (low group) 62 cases	Trust	0.334	0.323	0.717	5.489	0.000
Relationship commitment (high group) 34 cases	Trust	0.074	0.037	0.326	1.415	0.169
				t sig. 0.02 Chow F (34, 62) = 122.186		sig. 0.000

Table 5.29

Standardized Parameter Estimates of Overall Service Satisfaction and Trust in the High and the Low sub groups of Switching cost, Investment in the Current Relationship and Alternative Attractiveness

Group	Overall service satisfaction	Trust
Total sample	0.684	0.645
High Switching cost group	0.529	0.606
Low Switching cost group	0.852	0.588
High Investment group	0.754	0.655
Low investment group	0.663	0.624
High Alternative attractiveness group	0.585	0.272*
Low Alternative attractiveness group	0.625	0.578

5.9 Test of Hypotheses for Moderator Variables

In the sections 5.7.1 and 5.7.2, the identification of the moderator variables was undertaken using the moderated regression analysis. The subgroup analysis was also performed in section 5.8 to get some more insight about the moderating influence of switching cost, investment in the current relationship and alternative attractiveness on developing relationship commitment. This section discusses the acceptance or rejection of hypotheses related to the moderator variables.

Hypothesis 9:

The impact of overall service satisfaction on relationship commitment is different under varying degrees of switching cost.

This hypothesis suggests that the impact of overall service satisfaction on relationship commitment is altered with the variation in the switching cost. Referring to Table 5.22, results show sufficient evidence to accept this hypothesis. An increase in the value of switching cost decreases the slope of the regression line at a given level of overall service satisfaction. This contends that increasing switching cost weakens the impact of overall service satisfaction on relationship commitment.

Further, reference to Table 5.26 shows support for hypothesis 9. Overall service satisfaction has more impact on relationship commitment (0.867) in low switching cost situation as compared to high switching cost situation (0.543). A Chow test (F value 75.6, sig 0.01) provides evidence that the forms and slopes of the two regression models are significantly different (refer Table 5.26). From Table 5.29, it can be noted that the standardized regression coefficient for overall service satisfaction for the high switching cost group is beta = 0.529 compared to the beta = 0.852 for the low switching cost group. Therefore, high switching cost is reported to weaken the impact of overall service satisfaction on relationship commitment.

Thus, hypothesis 9 is supported.

Hypothesis 10 :

The impact of overall service satisfaction on relationship commitment is different under varying degrees of investment in the current relationship.

Referring to Table 5.21 and the following discussion in section 5.7.1, investment in the relationship was not identified as a moderator for this relationship because the beta coefficient for the interaction term b (x*z) was non significant.

In the subgroup analysis, the standardized beta coefficient of overall service satisfaction and relationship commitment for high investment group is noted as 0.754 as compared to 0.663 (refer Table 5.29) for low investment group. This is a contradicting finding to hypothesis 10.

Thus, hypothesis 10 is rejected.

Hypothesis 11 :

The impact of overall service satisfaction on relationship commitment is different under varying degrees of alternative attractiveness.

Referring to Table 5.23 , it is evident that as alternative attractiveness increases, the slope of the regression line involving overall service satisfaction as an independent variable and relationship commitment as the dependent variable decreases. The change in slope shows the moderating effect of alternative attractiveness on the impact of overall service satisfaction on relationship commitment.

The results of subgroup analysis show further support to the above finding. Refer to Table 5.29, the standardized regression coefficient of overall service satisfaction in high alternative attractiveness group is 0.585 as compared to 0.625 in low alternative attractiveness group. These regression coefficients are different at level of significance 0.08. In Table 5.28, it is evident that these two regression models are different by showing a Chow F of 146.95 significant at 0.00. Thus the impact of overall service satisfaction on relationship commitment is different under varying degrees of alternative attractiveness.

Thus, hypothesis 11 is accepted.

Hypothesis 12:

The impact of trust on relationship commitment is different under varying degrees of switching cost.

As discussed in section 5.7.2, switching cost was not identified as a moderator for the relationship between trust and relationship commitment because the beta coefficient b(x*z) was non significant.

Refer to Table 5.26, the effect of trust on relationship commitment is greater (regression coeff. 0.69) for the low switching cost group as compared to that of high switching cost group (regression coeff. 0.61). The regression coefficients are different at a level of significance of 0.00. Further, Chow F is equal to 80.48 significant at 0.01 which shows that the two regression models are different. However, in Table 5.29, the standardized regression coefficients for the effect of trust on relationship commitment show quite different results. In low switching cost group, the standardized beta coefficient is slightly lower (0.588) than that of high switching cost group (0.606).

The results of the moderated regression analysis and the subgroup analysis do not provide sufficient support for this hypothesis.

Therefore, hypothesis 12 is rejected.

Hypothesis 13 :

The impact of trust on relationship commitment is altered under varying degrees of investment in the current relationship

Again, as contended in section 5.7.2, investment in the current relationship is not identified as a moderator variable according to the results of moderated regression analysis because the beta coefficient b(x*z) was non significant.

As noted from the results of subgroup analysis in Table 5.27, the effects of trust on commitment in low investment group and high investment group are statistically the same. This result contradicts the hypothesis that under varying degrees of investment, the impact of trust on commitment gets altered. Therefore this hypothesis cannot be supported due to lack of evidence.

Thus, hypothesis 13 is rejected.

Hypothesis 14 :

The impact of trust on relationship commitment is altered under varying degrees of alternative attractiveness.

Referring to Table 5.24, as alternative attractiveness increases, the slope of the regression line involving trust as independent variable and relationship commitment as the dependent variable decreases. This shows that when alternative attractiveness varies, the impact of trust on relationship commitment is also altered.

Further, the subgroup analysis provides support for this hypothesis. Refer to Table 5.28, the effect of trust on relationship commitment for the high alternative attractiveness group is much lower (0.326) than that of low alternative attractiveness group (0.717). These regression coefficients are different at 0.02. Chow F is 122.186 at 0.00. As noted from Table 5.29, the standardized regression coefficients betas for the high alternative attractiveness and low alternative attractiveness groups are 0.272 (nonsignificant) and 0.578 respectively. Therefore trust had no significant impact on relationship commitment in the high alternative attractiveness group. The results of the moderated regression analysis and the subgroup analysis show that the impact of trust on relationship commitment is contingent on the degree of alternative attractiveness.

Thus, hypothesis 14 is supported.

5.10 Sub group Analysis for the Moderating Effect of Client Knowledge and Experience

In chapter three, it was hypothesised that client knowledge and experience moderates the association between perceived performance and overall service satisfaction. The following section presents the results of the sub group analysis to test this effect.

5.10.1 Results of Subgroup Analysis for Client Knowledge and Experience

Subgroup analysis was performed to test the moderating influence of client knowledge and experience on the association between technical performance and overall service satisfaction. To achieve this, the whole sample was divided into two sub groups on the basis of high client knowledge and experience and low client knowledge and experience. This was done by taking 84 cases in the high group and 78 cases in the low group. A total of 39 cases from the middle of the distribution were dropped in order to increase the contrast between the high and the low sub groups. This is reported in Table 5.30 wherein the mean and standard deviation for each sub group show significant difference. The Chow test (1960) was performed to test the significance of difference between the slopes of regression models across each of the pairs of the high and the low sub groups. Unpaired t-test was used to test the difference in regression coefficients within the individual sub groups. Table 5.31 shows the results of the sub group analysis. Table 5.32 shows the standardized beta coefficients of technical performance and relational performance in the total sample, the high group and the low group

Table 5.30: Means and Standard Deviations in High and Low Subgroups of Client Knowledge and Experience

Variable	Mean(high group)	Std. dev.	Mean (low group)	Std. dev.
Client knowledge and experience	3.69	0.40	2.26	0.47

Table 5.31

Results of the subgroup analysis for the moderating effect of Client Knowledge and Experience on the impact of Technical performance and Relational performance on Overall Service Satisfaction

Dependent variable	Independent variables	R^2	Adj. R^2	Regress coeff.	T	Sig.
Overall service satisfaction	Technical performance	0.59	0.59	0.47	8.59	0.000
	Relational performance			0.31	6.48	0.000
Overall service satisfaction (high group) 84 cases	Technical performance	0.67	0.66	0.52	7.32	0.000
	Relational performance			0.30	4.46	0.000
				t sig. 0.00		
Overall service satisfaction (low group) 78 cases	Technical performance	0.45	0.43	0.27	2.99	0.004
	Relational performance			0.39	3.99	0.002
				t sig. 0.08		
				Chow F (84, 78) = 22.63 sig. 0.01		

Table 5.32: Standardized Parameter Estimates for the impact of Technical Performance and Relational Performance on Overall Service Satisfaction

Group	Technical performance	Relational performance
Total sample	0.49	0.37
High group	0.57	0.35
Low group	0.32	0.43

5.10.2 Tests of Hypotheses for Moderating Effect of Client Knowledge and Experience on the association between Technical Performance and Overall Service Satisfaction, and Relational Performance and Overall Service Satisfaction

Hypothesis 15:

Under conditions of high client knowledge and experience, the impact of technical performance on overall service satisfaction will be stronger than under alternative conditions.

The hypothesis suggests that client knowledge and experience in purchasing financial services strengthens the impact of technical performance on overall service satisfaction. Reference to Table 5.32 shows support for this hypothesis. Technical performance has a stronger impact on overall service satisfaction (0.57) in the high client knowledge and experience group than that in the low client knowledge and experience group (0.32). A Chow test (F value 22.63, sig. 0.01) in Table 5.31 provides further the evidence that the forms and slopes of the two regression models of technical performance and relational performance are significantly different, thus supporting this hypothesis.

Thus, hypothesis 15 is supported.

5.11 Summary

This chapter presented the results of the research. In the first section, descriptive statistics of the sample was presented. In the second section, a description of the research variables was presented. Section three gave a description of the statistics of the research variables. Reliability and validity of the instrument was judged in the fourth section. All variables depicted required reliability, validity and unidimensionality standards.

The fifth section of this chapter presented the tests of hypotheses associated with the independent variables by conducting regression analysis procedure. Causal path analysis was done in the sixth section in order to determine direct and indirect effects of various antecedents to relationship commitment. Moderated regression analysis and subgroup analysis were explained in sections seven through ten of this chapter. The purpose of these techniques was to analyse the effects of various hypothesised moderators on the impact of independent variables on relationship commitment. This also involved testing a number of hypotheses related to those moderators. The results of the hypotheses testing in the various sections of this chapter are as follows:

Hypothesis 1 : positive association between trust and relationship commitment was **supported.**

Hypothesis 2 : positive association between overall service satisfaction and relationship commitment was **supported.**

Hypothesis 3: positive association between communication effectiveness and relationship commitment was rejected.

Hypothesis 4 : positive association between overall service satisfaction and trust was **supported.**

Hypothesis 5 : positive association between communication effectiveness and trust was **supported**.

Hypothesis 6a : positive association between technical performance and trust was **supported.**

Hypothesis 6b : positive association between relational performance and trust was **rejected.**

Hypothesis 7a: positive association between communication effectiveness and technical performance was **supported**.

Hypothesis 7b: positive association between communication effectiveness and relational performance was **supported.**

Hypothesis 8a : positive association between technical performance and overall service satisfaction was **supported.**

Hypothesis 8b : positive association between relational performance and overall service satisfaction was **supported.**

Hypothesis 9 : moderating effect of switching cost on the impact of overall service satisfaction on relationship commitment was **supported.**

Hypothesis 10 : moderating effect of investment in the current relationship on the impact of overall service satisfaction on relationship commitment was **rejected** .

Hypothesis 11 : moderating effect of alternative attractiveness on the impact of overall service satisfaction on relationship commitment was **supported**.

Hypothesis 12 : moderating effect of switching cost on the impact of trust on relationship commitment was **rejected.**

Hypothesis 13 : moderating effect of investment in the current relationship on the impact of trust on relationship commitment was **rejected.**

Hypothesis 14 : moderating effect of alternative attractiveness on the impact of trust on relationship commitment was **supported.**

Hypothesis 15: moderating effect of client knowledge and experience on the impact of technical performance on overall service satisfaction was **supported.**

In conclusion, the theoretical model developed and tested in this study aids our understanding of the various determinants of relationship commitment in the personal financial services area. The next chapter (chapter 6) presents an overview of the research and a discussion of the findings and implications of this research study.

- What is the relative role of trust, overall service satisfaction and communication effectiveness in developing relationship commitment?

- Does trust mediate the impact of overall service satisfaction on relationship commitment in the personal financial services context?

- Does trust mediate the impact of communication effectiveness on relationship commitment?

- How do switching cost, investment in the current relationship and alternative attractiveness moderate the impact of trust and overall service satisfaction on relationship commitment?

- Does an adviser's performance (technical and relational) have a direct (or indirect) impact on overall service satisfaction and trust?

- How does the client's knowledge and experience in purchasing financial services affect the impact of perceived performance on overall service satisfaction?

The answers to these questions are discussed below.

- **What is the relative role of trust, overall service satisfaction and communication effectiveness in developing relationship commitment?**

The explanation to this question is given on the basis of the causal path analysis presented in section 5.6 in chapter five. Referring to Table 5.18, overall service satisfaction is reported as the strongest determinant of relationship commitment in the personal financial services area. This affects commitment independently and through trust. Clients will develop a higher commitment to the adviser if the overall service satisfaction is high. For consumer financial services, creating client satisfaction should be the number one priority on the basis of the findings of this study. To find a competitive edge, financial advisers must provide a good quality service and out perform their competitors. They must understand the fundamental concept that they are in the "people business" and therefore should be motivated to put the client first.

Trust acts as a mediator between overall service satisfaction and relationship commitment, and between communication effectiveness and relationship commitment (refer section 5.6.1).

Communication effectiveness has an indirect impact on relationship commitment. The effect of communication effectiveness on performance has not been reported in previous studies. Communication effectiveness of the adviser was observed to act as a strong influencer for both the technical and relational performance of the adviser. Further, technical performance plays a critical role in driving satisfaction and trust - the two major antecedents of relationship commitment. Therefore communication effectiveness facilitates the development of commitment by increasing the perceptions of the adviser's performance, overall service satisfaction and trust. It nurtures the client-adviser relationship by strengthening the impact of the factors that promote this variable.

- **Does trust mediate the impact of overall service satisfaction on relationship commitment in the personal financial services context?**

The answer to this question is 'yes'.

Refer to section 5.6.1, the mediating effect of trust on the impact of overall service satisfaction on relationship commitment has been examined. The mediation test shows that trust is a mediator between overall service satisfaction and relationship commitment.

Overall service satisfaction impacts on trust and trust directly influences the development of commitment towards the financial adviser.

- **Does trust mediate the impact of communication effectiveness on relationship commitment?**

Yes. Referring to section 5.6.1 in chapter five, trust has shown its mediating effect on the impact of communication effectiveness on relationship commitment.

Communication effectiveness facilitates the development of commitment by influencing the level of trust in the adviser. Giving timely information to clients, explaining the pros and the cons of various investment options, and regular follow ups, develop trust in the adviser and hence build client commitment towards the adviser.

- **How do switching cost, investment in the current relationship and alternative attractiveness moderate the impact of the various antecedents on relationship commitment?**

Switching cost

Referring to section 5.7.1, switching cost was identified as a quasi moderator, i.e. both as a moderator as well as an independent antecedent for the association between overall service satisfaction and relationship commitment. In section 5.8, the results of the sub group analysis show that switching cost mitigates the impact of overall service satisfaction on relationship commitment. Under conditions of high switching cost, the impact of overall service satisfaction on relationship commitment is weaker than under conditions of low switching cost.

However, switching cost did not show a moderating effect on the impact of trust on relationship commitment in section 5.8.

The study findings show that switching cost is of critical importance in relationship maintenance because it acts like a strong barrier for breaking the present relationship even if the level of service satisfaction is low. "Search cost, transaction cost, learning cost, psychological risk on the part of client and emotional cost" all add up to form an exit barrier for switching financial advisers. Some financial advisers charge an upfront fee for consultation, therefore a considerable monetary cost is borne by a client in order to start a new relationship. If a client feels dissatisfied with the present level of service and there is a small switching cost, the change to another adviser is easier. High switching cost, on the other hand, creates a barrier to exiting a relationship. In this manner, switching cost maintains a weak (poor quality) relationship.

Investment in the current relationship

Investment in the current relationship was not identified as a moderator the basis of moderated regression analysis in sections 5.7.1 and 5.7.2.

Alternative attractiveness

Alternative attractiveness was identified as a pure moderator in section 5.7.1 for the impact of trust and overall service satisfaction on relationship commitment. This implies that if few alternatives are present, overall service satisfaction and trust have a stronger impact on relationship commitment.

On the other hand, if alternatives are easily available, a client will tend to change to a new adviser quickly despite a fair level of satisfaction and trust in the current relationship. Absence of an alternative or presence of less attractive alternatives helps sustain relationships with the current adviser.

- **Does an adviser's performance (technical and relational) have a direct (or indirect) impact on trust and overall service satisfaction?**

The perceived performance variable was split into two separate factors namely technical performance and relational performance in section 5.4.4. This was to perform a more meaningful analysis. Refer to Table 5.14, where technical performance displayed a significant positive effect on trust. The effect of relational performance was not significant although positive. Therefore, it is believed that technical performance has a direct positive impact on trust.

The effects of technical performance and relational performance on overall service satisfaction were analysed in section 5.5.6. The regression analysis displayed positive significant effects of both these variables on overall service satisfaction. The study results show that the outcome of the service, as well as the relational behaviour of the adviser is viewed as important by the clients. Clients do not evaluate service purely on the basis of end results (what they received). They also evaluate how they received the service. The coordination and management of technical and relational performance is necessary in order to be successful in a financial practice. However, the effect of technical performance on overall service satisfaction was stronger than that of relational performance. To accomplish client satisfaction, it is important to provide the best possible outcome.

The positive significant effect of technical performance on trust shows that the perception of a satisfactory outcome fosters trust in the relationship. In order to nourish trust in a client - adviser relationship, advisers must emphasise strongly their technical performance.

- **How does the client's knowledge and experience in purchasing financial services affect the impact of performance on overall service satisfaction?**

In the subgroup analysis in section 5.10.1, technical performance was reported to explain overall service satisfaction to a greater extent in the high client knowledge and experience group. Therefore, in high client knowledge and experience situations, technical performance acts as a strong determinant of satisfaction in the personal financial services area.

Clients who do not possess sufficient knowledge and experience in financial services, cannot assess the technical skills of the adviser, and hence mainly drive their satisfaction by assessing relational aspects of service performance. This is evident in Table 5.32 where low experience group shows a low regression coefficient for technical performance and high regression coefficient for relational performance.

6.3 Implications for Marketing Theory and Practice

6.3.1 Theoretical Implications

The primary contribution of this study is that it develops and tests a model to help explain how clients develop relationship commitment towards an adviser in the personal financial planning services area. Therefore, the theoretical model was successful in helping to explain the factors that influence the development of client commitment. The empirical findings suggest that commitment to the relationship with a current adviser is determined mainly by overall service satisfaction, trust, technical performance, relational performance and communication effectiveness factors.

The role of trust in the development of relationship commitment has been very well recognised in the marketing literature. Morgan and Hunt (1994) labeled trust as one of the key factors in the relationship between exchange partners. The above finding confirms the association between trust and commitment to the relationship.

Trust is determined by overall service satisfaction, technical performance and communication effectiveness. A satisfactory service motivates a client to rely more on his/her adviser. Communication effectiveness also leads to trust. Timely communication about market trends, regular follow up, portfolio updates and simplicity of advice by the adviser develops trust in a client. This finding confirms the studies by Moorman, Zaltman and Deshpande (1993) and Anderson and Narus (1990).

Technical performance (growth of funds, return on investment, fulfillment of financial goals and financial security) motivates a client to trust his adviser.

An important finding of the research is that overall service satisfaction was noted as the strongest influencer of commitment to relationship. Usually commitment studies have highlighted the critical role of trust in driving commitment (Morgan and Hunt

1994; Moorman, Zaltman and Deshpande 1993). Overall service satisfaction has a direct effect, as well as, an indirect effect on relationship commitment through trust.

Overall service satisfaction is developed from two types of performance i.e. technical performance and relational performance. Technical performance was observed to have a greater effect on overall service satisfaction, as compared to that of relational performance. No doubt, the impact of funds growth and a secure future are the most important factors in establishing service satisfaction. Yet, it could be mentioned that an adviser's relational behaviour, i.e. promptness, friendliness, taking care of a client's personal needs, and understanding his/her circumstances are important factors for determining client satisfaction with the service. In other words, both the outcome (the "what" or the technical dimension) and the process (the "how" or the relational dimension) are essential to achieve client satisfaction. This is consistent with Grönroos (1982).

Earlier, Morgan and Hunt (1994) posited that communication affects commitment indirectly through trust. This study confirms this association. Communication effectiveness had an indirect effect on relationship commitment via trust, technical performance and relational performance. The impact of communication effectiveness on technical performance, as well as, relational performance is a new insight gained from this study.

Technical performance is also a major influencer of relationship commitment (Table 5.18). Clients who feel good about the return on the funds invested, are likely to be more committed to the relationship. The path analysis confirmed that relational performance has an indirect effect, through overall service satisfaction, on relationship commitment.

Therefore, relational behaviour exhibited by an adviser helps in facilitating the development of relationship commitment.

Trust is the fourth strongest antecedent of relationship commitment based on the results of the causal path model. Although trust has a small direct effect on commitment, it acts as a mediator between overall service satisfaction and relationship commitment and between communication effectiveness and relationship commitment.

Switching cost has been identified as a prominent exit barrier in a client-adviser relationship. Clients view that it would take a long time to make another adviser knowledgeable of their needs and thus believe that they would be giving up a great deal of value by switching to another adviser. Clients view the costs of switching in terms of both money and time as high. In previous studies, Dwyer, Schurr and Oh (1987), Jackson (1985) and Ping (1993) have mentioned this fact. High switching cost weakens the impact of overall service satisfaction on relationship commitment. In a situation of low service satisfaction, switching cost acts as a barrier to exit and maintains client's resolve to continue the present relationship. It mitigates the negative impact of low service satisfaction on relationship commitment.

Investment in the current relationship could not be primarily identified as a moderator. Rather it acts mainly as an independent antecedent to relationship commitment in the personal financial planning services area.

Alternative attractiveness acts as a moderator for the association between overall service satisfaction and relationship commitment, and between trust and relationship commitment. High alternative attractiveness weakens the association between overall service satisfaction and relationship commitment, and between trust and relationship commitment. If there is no alternative or less attractive alternatives, a client who is experiencing a low level of satisfaction tends to stay in the relationship with his current adviser. But presence of an attractive alternative makes the client think about changing to a more satisfactory service. It results in weakening of the impact of satisfaction from the current adviser's service on commitment.

In the same way, alternative attractiveness weakens the impact of trust on commitment. High alternative attractiveness motivates a client to change his adviser by weakening his resolve to maintain the present relationship.

The study has some additional findings. It shows that increased knowledge and experience by the client in purchasing financial services enhances his/her ability to evaluate the technical performance of a financial adviser and therefore impacts upon the process of development of service satisfaction. Inexperienced clients, on the other hand, do not have the requisite knowledge to confidently evaluate the technical performance of the service.

6.3.2 Managerial Implications

The study has some important suggestions for advisers. Advisers must make sure that clients are satisfied with the service. Service satisfaction is recommended as the key to developing client commitment. Enhanced satisfaction also nurtures a client's trust in the adviser.

Service satisfaction comes from satisfactory performance, especially technical performance. Study findings suggest that exhibiting relationship building behaviour is also important for creating service satisfaction.

Trust is critical for developing relationship commitment. The client's trust in a personal financial planning services context, is a confident belief that the adviser will behave in such a manner that the long term interest of the client will be served (Crosby, Evans and Cowles 1990). Trust depends upon overall service satisfaction, perceived performance in terms of growth of the funds and the communicative abilities of the adviser. Advisers must make every effort to increase client satisfaction with the service. Investment advice should be given in clear and simple words. Clients must be advised of all favourable and unfavourable factors of the recommended investments. They should be given regular follow ups and portfolio updates (qualitative interviews). To this end, Swan, Trawick and Silva (1985) have advised sales people to gain a number of qualities, that is, being dependable, candid, competent, client oriented and able to establish a rapport with clients.

It is important for advisers to communicate regularly with their clients (qualitative interviews). Regular contact and portfolio updates are recommended as a strategy to generate greater commitment. Advisers must arrange for frequent meetings to review a client's circumstances and aims. A quarterly or bi-annual newsletter could be sent to clients in order to make themselves informed about the industry and the services.

Advisers must complete thorough research before recommending an investment option to clients. Creating realistic expectations (Bland 1997) and explaining the pros and the cons of various investment options is a useful strategy to improve a clients' perceptions of performance of the adviser. Advisers must exhibit relationship building behaviour(Hatfeld 1994). They should be friendly, polite and courteous toward their clients.

High switching cost creates a barrier to competition. The study results suggest that under conditions of high perceived switching cost, the impact of service satisfaction on relationship commitment becomes weaker, than when a small switching cost is perceived. Advisers must build a strong relationship with their clients to know their individual needs and then provide extra value to the clients. By providing a value added service, an adviser can develop high perceived switching cost for the clients.

The study supports the fact that client investment in the relationship strengthens commitment toward his/her adviser. Advisers should customise the relationship and must search for the cues about client needs. They must offer opportunities to the clients to develop a strong mutual relationship.

Alternative attractiveness is an unfavourable factor for relationship commitment. Reducing alternative attractiveness must be the key to defensive strategy to minimise termination tendencies. Advisers must monitor their clients' views about other financial advisers and should improve their service based upon those views. This will increase service satisfaction and reduce alternative attractiveness for their clients.

6.4 Limitations

The model described, and the empirical study reported here, represent an initial attempt to examine several propositions concerning relationship marketing for personal financial planning services. Additional research is clearly necessary in several settings, to give a more general theory of relationship marketing in professional services.

Data for testing the relationships predicted in the model were collected from individual clients of only two local financial planning professionals due to time limitations. Additional empirical research using a larger sample size is needed to confirm the findings of this study.

The study used a cross sectional approach to test predicted relationships. In any model where causality is suggested, use of a longitudinal design is recommended (Morgan and Hunt 1994). Thus, the model developed and tested here could benefit from testing in a longitudinal design.

Because of the practical problem of developing different measures for all the scales in this study, numerous other methods were used to establish face and construct validity (pretesting the questionnaire, factor analysis, correlation analysis etc.) However, there is enough evidence given in this study to establish the validity of constructs used in this study.

The low switching cost group in the subgroup analysis consists of only 23 cases from the total sample of respondents (refer Table 5.26). More research is required involving a larger sample to confirm the results of subgroup analysis to test the moderating effect of switching cost on the development of relationship commitment.

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APPENDIX A:
SOME EMPIRICAL FINDINGS FROM QUALITATIVE RESEARCH - a Selection of Verbatim comments

RELATIONSHIP COMMITMENT:

"I am committed to my adviser"

"I feel loyalty towards my present relationship"

TRUST:

"He is reliable and honest"

"He is absolutely trustworthy in his professional dealings"

"I feel he has always been honest with me"

OVERALL SERVICE SATISFACTION:

"I am currently satisfied with my adviser and hope to continue with loyalty"

"I am pleased with the direction given by my adviser so far"

"My satisfaction has been brought about by the keen interest in my financial well being and the genuine attentiveness. At no time did I feel pressured or made fool by my adviser"

PERCEIVED PERFORMANCE:

"My adviser is approachable, sensible and understands my needs and goals"

"My adviser responses quickly and efficiently to my queries"

"He displays a caring nature"

"He understands my circumstances"

COMMUNICATION EFFECTIVENESS:

"My adviser keeps me up to date on my finances. He guides me very well about the options for my finances"

"I am advised in detail about what is offered"

"I have regular follow up and my adviser has simplicity and clarity of advice"

"When investments were dropping in value we were notified immediately"

CLIENT KNOWLEDGE AND EXPERIENCE:

"My knowledge of financial management is limited. We should acquire more knowledge about the finances. Then we can see what the adviser has been doing to our money"

"I understand what is going on. I have looked around a lot"

"I do not understand the investments I am recommended"

SWITCHING COST:

"I am afraid to ring up and call at other advisers. For small investors, it is costly to go and search for a new adviser"

"I am happy where I am though I am not quite pleased. I don't want to waste time in searching for another adviser"

"I am not satisfied with current updates and efficiency of service but I feel a risk in changing. It is the question of my future"

INVESTMENT IN THE CURRENT RELATIONSHIP:

"I looked around a lot and made a decision to do business with my current adviser. I want to stay and see how he performs. I do not want my effort to go waste"

"I am not so confident of his excellent service but I am continuing with him. I don't want to waste the time spent on him"

ALTERNATIVE ATTRACTIVENESS:

"I think another adviser will charge less fees and give better performance than this one. He will take care of my queries and return important calls"

"A new adviser will give better service. He is located near to my work place and has full range of services"

APPENDIX B : QUESTIONNAIRE

APPENDIX C: Items of Research Variables and Descriptive Statistics

Item Label	Question and Item No.	No. of cases	Min.	Max.	Mean	Standard Deviation
COMM1	Q4, Item1	201	1	5	3.45	0.84
COMM2	Q4, Item 2	199	1	5	3.48	0.82
COMM3	Q4, Item3	197	1	5	3.20	0.94
COMM4	Q4, Item 4	199	1	5	3.42	0.91
COMM5	Q5, Item1	197	1	5	3.86	0.86
TRST1	Q5, Item 2	199	1	5	3.97	0.73
TRST2	Q5, Item 3	197	1	5	3.97	0.76
TRST3	Q5, Item 4	199	1	5	3.77	0.88
TRST4	Q5, Item 5	200	1	5	4.04	0.70
TRST5	Q5, Item 6	192	1	5	3.97	0.85
TRST6	Q5, Item 6	200	1	5	3.93	0.74
TRST7	Q5, Item 7	201	1	5	3.98	0.62
SAT1	Q6, Item 1	200	1	5	3.88	0.78
SAT2	Q6, Item 2	200	1	5	3.82	0.85
SAT3	Q6, Item 3	200	1	5	4.08	0.85
SAT4	Q6, Item 4	198	1	5	3.88	0.75
SAT5	Q7, Item 1	191	1	5	3.97	0.81
SAT6	Q7, Item 2	192	1	5	3.93	0.82
SAT7	Q7, Item 3	186	1	5	3.93	0.83
COMMU1	Q11, Item 1	194	1	5	3.55	1.00
COMMU2	Q11, Item 2	193	1	5	3.84	0.78
COMMU3	Q11, Item3	197	1	5	3.89	0.77
COMMU4	Q11, Item 4	197	1	5	3.93	0.73
PERF1	Q10, Item 1	191	1	5	3.37	0.61
PERF2	Q10, Item 2	182	1	5	3.74	0.78
PERF3	Q10, Item 3	175	1	5	3.38	0.85
PERF4	Q10, Item 4	173	1	5	3.62	0.82
PERF5	Q10, Item 5	197	1	5	4.29	0.65
PERF6	Q10, Item 6	196	1	5	4.08	0.29
PERF7	Q10, Item 7	196	1	5	4.17	0.75
CKNOW1	Q17, Item 1	196	1	5	2.73	0.96
CKNOW2	Q17, Item 2	197	1	5	2.42	0.99
CKNOW3	Q17, Item 3	198	1	5	3.40	0.91
CKNOW4	Q17, Item 4	197	1	5	3.44	0.93
SWCT1	Q14, Item 1	200	1	5	3.48	0.96
SWCT2	Q14, Item 2	199	1	5	3.07	0.89
SWCT3	Q14, Item 3	199	1	5	3.51	0.90
SWCT4	Q14, Item 4	197	1	5	3.27	0.95
SWCT5	Q14, Item 5	196	1	5	3.25	0.70
ALTATT1	Q15, Item 1	193	1	5	2.71	0.60
ALTATT2	Q15, Item 2	193	1	5	2.94	0.79
ALTATT3	Q15, Item 3	191	1	5	2.81	0.77
ALTATT4	Q15, Item 4	191	1	5	2.58	0.77
ALTATT5	Q15, Item 5	199	1	5	2.44	0.84
INRL1	Q16, Item 1	199	1	5	3.14	0.79
INRL2	Q16, Item 2	193	1	5	3.13	0.94
INRL3	Q16, Item 3	199	1	5	3.16	0.83

APPENDIX D: FACTOR ANALYSIS WITH VARIMAX ROTATION

Item Label	Fac. 1	Fac. 2	Fac. 3	Fac. 4	Fac. 5	Fac. 6	Fac. 7	Fac. 8	Fac. 9
COMM1		0.59							
COMM2		0.74							
COMM3		0.66							
COMM4		0.62							
COMM5		0.30							
TRST1	0.57								
TRST2	0.74								
TRST3	0.67								
TRST4	0.71								
TRST5	0.70								
TRST6	0.63								
TRST7	0.70								
COMMU1				0.64					
COMMU2				0.74					
COMMU3				0.71					
COMMU4				0.73					
PERF1		0.32	0.52						
PERF2	0.35		0.48						
PERF3	0.35		0.54						
PERF4	0.45	0.50	0.47						
PERF5	0.31	0.56	0.40						
PERF6	0.30		0.35						
PERF7		0.50	0.43						
SAT1	0.35	0.50	0.38						
SAT2	0.33	0.56	0.42						
SAT3	0.50		0.36						
SAT4	0.32	0.51	0.43						
SAT5	0.33		0.69						
SAT6			0.68						
SAT7			0.66						
SWCT1		0.48			0.41				
SWCT2					0.73				
SWCT3					0.64				
SWCT4		0.47			0.48				
SWCT5					0.65				
CKNOW1						0.86			
CKNOW2						0.79			
CKNOW3						0.71			
CKNOW4						0.78			
INRL1							0.84		
INRL2							0.87		
INRL3							0.44		
ALTATT1								-0.78	
ALTATT2								-0.72	
ALTATT3									-0.79
ALTATT4								-0.36	-0.51
ALTATT5								-0.43	-0.35

APPENDIX E: CORRELATION MATRIX OF RESEARCH VARIABLES

	I	II	III	IV	V	VI	VII	VIII	IX	X
I	1.00									
II	0.68	1.00								
III	0.65	0.68	1.00							
IV	0.18	0.65	0.24	1.00						
V	0.20	0.62	0.34	0.67	1.00					
VI	0.31	0.36	0.38	0.62	0.70	1.00				
VII	0.29	0.26	0.16	0.09	0.09	0.08	1.00			
VIII	0.17	0.14*	0.13*	0.09*	0.14	0.33	0.62	1.00		
IX	-0.11*	-0.07*	-0.11*	0.08*	-0.13*	-0.12*	0.30	0.21	1.00	
X	0.13*	0.03*	0.05*	0.04*	0.07	0.00	-0.03*	0.13*	0.00	1.00

* nonsignificant

I = COMIT, II = SATIS, III =TRUST, IV = PERFF1, V = PERFF2, VI = COMMUN, VII = SWCT, VIII = INRL, IX = ALTATT and X= CLKNOW

UNIVERSITY OF WOLLONGONG

Department of Management

A STUDY OF RELATIONSHIP MARKETING IN PERSONAL FINANCIAL PLANNING SERVICES

QUESTIONNAIRE

This survey is a part of research work at the Department of Management, University of Wollongong. Thankyou for participation. If you have any questions, please ring (042) 214053, Dr. Muris Cicic.

How to complete this questionnaire:

In most cases, we would like you to circle a number which best reflects your opinion or behaviour. In few instances, you are asked to give short written answers.

This questionnaire takes about ten minutes to complete.

If some questions don't relate to you, please skip them and go to the next question.

Question 1: How long have you been using your present financial services firm?

Write here: ------ years ------- months

Question 2: Which of the following services provided by your current adviser do you utilise? (Please tick as many as you like)

* Financial plan preparation _____
* Portfolio management _____
* Investing in property _____
* Investing in shares _____
* Insurance _____
* Money market investments _____
* Retirement planning _____
* Estate planning _____
* Any other(Please specify) _____

Question 3: When was your last review done?

Write here -----------

Question 4: Please read each statement carefully and indicate the extent to which you agree or disagree. Circle the number which most corresponds to your opinion.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*I am very committed to my relationship with my adviser.	1	2	3	4	5
*I intend to maintain my relationship indefinitely.	1	2	3	4	5
*I should put maximum efforts to maintain my relationship with my present adviser.	1	2	3	4	5
*I have a strong sense of loyalty toward my financial adviser.	1	2	3	4	5
*I am always on the look out for an alternative adviser.	1	2	3	4	5

Question 5: Please read each statement carefully and indicate the extent to which you agree or disagree. Circle the number which most corresponds to your opinion.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*My adviser can be relied upon to keep his promises.	1	2	3	4	5
*There are times when I find my adviser to be a bit insincere.	1	2	3	4	5
*I find it necessary to be cautious in dealing with my adviser.	1	2	3	4	5
*My adviser is trustworthy.	1	2	3	4	5

*I suspect that my adviser has sometimes withheld certain pieces of critical information that might have affected my decision making.	1	2	3	4	5
*I have confidence in my adviser.	1	2	3	4	5
*I generally do not trust my adviser.	1	2	3	4	5

Question 6: Please rate your satisfaction with the level of service you have received from your adviser. Circle the number which most corresponds to your opinion.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*I am very satisfied with my current choice of financial adviser.	1	2	3	4	5
*If I had to do it all over again, I would choose the same adviser.	1	2	3	4	5
*My choice of this adviser was not a wise one.	1	2	3	4	5
*I feel good about my decision to choose this adviser.	1	2	3	4	5

Question 7: Taking everything into consideration, how do you feel about what you have received from your present financial adviser so far?

Please circle one number for each item.

(a) Very dissatisfied	1	2	3	4	5	very satisfied
(b) Very pleased	1	2	3	4	5	very displeased
(c) Very discontented	1	2	3	4	5	very contented

Question 8: Please give the reasons for your satisfaction or dissatisfaction. Be as specific as you can.

Question 9: What enhancements could be made to the service you presently receive that would increase your satisfaction?

Question 10: Please rate your financial adviser's performance. Circle the appropriate number.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*My adviser has assisted me to achieve my financial goals.	1	2	3	4	5
*My adviser has helped me to protect my current position by recommending best insurance option(s).	1	2	3	4	5
*My adviser has performed well in providing best return on my investments.	1	2	3	4	5
*My adviser has performed well in investing my money in secure investment options.	1	2	3	4	5
*My adviser is providing a courteous and friendly service to me.	1	2	3	4	5
*My adviser shows a genuine care and interest in my personal circumstances	1	2	3	4	5
*My adviser responds promptly to my requests.	1	2	3	4	5

Question 11: Please give your opinion about the standard of communication in your relationship with your adviser. Please circle the appropriate number.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*My adviser keeps me very well informed about what is going on with my investments/insurances.	1	2	3	4	5
*My adviser explains financial concepts and recommendations in a meaningful way.	1	2	3	4	5
*My adviser never hesitates to give me as much information as I like to have.	1	2	3	4	5
*My adviser doesn't hesitate to explain to me the pros and cons of investments /insurances he recommends to me.	1	2	3	4	5

Question 12: Please rate your adviser's skill and expertise.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*My adviser has specialised knowledge of the types of services he recommends to me.	1	2	3	4	5
*My adviser has a lot of experience.	1	2	3	4	5
*My adviser is professionally qualified.	1	2	3	4	5

Question 13: Please rate your adviser's attitude. Circle the appropriate number.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*My adviser has given me a hope for a bright future.	1	2	3	4	5
*My adviser is very enthusiastic					

about my investments/insurances.	1	2	3	4	5
*My adviser has motivated me a lot to make efforts for a secure future.	1	2	3	4	5

Question 14: Please give your views about changing financial adviser. Circle the appropriate number.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*On the whole, it would cost me a lot of time and energy to choose an alternative adviser.	1	2	3	4	5
*I would loose a lot of confidential information about my income, savings and family issues if I change.	1	2	3	4	5
*It is risky to change as the new adviser may not give good service.	1	2	3	4	5
*I would feel frustrated if I terminate my current relationship with adviser.	1	2	3	4	5
* Considering everything, the costs to stop doing business with this adviser and start up with a new adviser would be high.	1	2	3	4	5

Question 15: What is your opinion about another adviser who can provide similar services as your current adviser. Please rate these factors when you think about that adviser.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*All in all, another adviser would be less costly than the present adviser is.	1	2	3	4	5
*A new adviser would provide full range of services.	1	2	3	4	5

*A new adviser is located closer to me as compared to current adviser.	1	2	3	4	5
*A new adviser would benefit me more than my current adviser in achieving my goals.	1	2	3	4	5
*I would feel more satisfied with the services of new adviser than I am with my current adviser.	1	2	3	4	5

Question 16: Please rate the effort you have made in maintaining your relationship with current adviser. Circle what you feel is appropriate.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*A lot of time and effort have gone into building and maintaining the relationship with my present adviser.	1	2	3	4	5
* Overall, I have invested a lot in the relationship with the current adviser.	1	2	3	4	5
*Much of my investment with this adviser cannot be utilised for a new relationship.	1	2	3	4	5

Question 17: Please rate your knowledge and experience in this area. Circle the number you think is appropriate.

	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
*I possess good knowledge of financial planning services and products.	1	2	3	4	5

*I am quite experienced in this area.	1	2	3	4	5
*I can understand almost all the aspects of the services I purchase from my adviser.	1	2	3	4	5
*I can very well understand my adviser's techniques and strategies.	1	2	3	4	5

Question 18: How much concerned are you about the outcome of your investments?

Not at all concerned 1 2 3 4 5 very much concerned

Question 19: How much concerned are you about the security of your investments?

Not at all concerned 1 2 3 4 5 very much concerned

RESPONDENT'S PROFILE

Question 20: What is your age?

20-30 years
31-40
41-50
51-60
60+

Question 21: Are you:

male --- female ---

Question 22: Your occupation ----------

THANKYOU FOR COOPERATION